

NETWORK DIVERSITY VALUE AND LOCAL SOUTH AFRICAN ENTREPRENEURIAL
DEVELOPMENT IN A GLOBALIZING ECONOMY:
A GROUNDED THEORY ANALYSIS

by

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Studies of African development convey both the triumphs and struggles in achieving the viability of local, small economic actors within a heightened era of global integration. Theoretical studies examining the role of social capital in economic development suggest that understanding the broader context of social relationships within which the market operates is vital in understanding market behavior. Hence, this perspective presents a distinct approach by which to grasp how small business men and women in globalizing African economies socially position themselves to manage and thrive under market pressures on all spatial levels. Drawing from this literature, this investigation explores how the social structure – specifically, the diversity of relationships in the social networks –of local South African entrepreneurs contributes to the development of their small businesses.

Employing the qualitative analytical methodology of grounded theory, data is generated via in-depth interviews of twenty-four entrepreneurs from the clothing manufacturing and service industries in Greater Johannesburg, South Africa. Empirical research in this regard is growing but is still limited. Hence, grounded theory- as other qualitative methodologies – captures the nuances and cultural interpretations vital to comprehending the social structure of the local economy. Distinct from other qualitative methodologies, however, grounded theory

derives relationships between prevailing conceptual themes so as to form a testable framework for an emerging theory drawn directly from the data.

The findings reveal, and form the first two hypotheses, that the structure and value of social network diversity vary across entrepreneurs of different economic sectors. To gain more empirical insight regarding network diversity variation, the study presents the analysis of particular variables – highlighted by the data and literature – in relation to entrepreneurs’ social networks. Clothing manufacturers’ emphasis of international trade as a threat forms the third hypothesis that their vulnerability to cheaper garment imports may be an explanatory factor for the structural and value differences of their network’s diversity from those of service entrepreneurs. Recognizing that vulnerability to global imports does not fully account for the variation of network diversity among entrepreneurs within the same sector, however, continued analysis focused on the potential explanatory value of an entrepreneur’s business phase and firm size. Findings supported the formation of the fourth and fifth hypotheses, which state that network diversity varies across entrepreneurs within different business phases in both sectors, and inconclusively across small firms of different sizes. The analysis notes that variation across firm size may be a function of business phase. At the end, the study lays out an emerging theoretical framework for the central concept of *network diversity value*, presenting the prevailing hypotheses and conceptual relationships to be tested in further studies.

TABLE OF CONTENTS

PREFACE.....	XIV
1.0 INTRODUCTION.....	1
1.1 PURPOSE OF THE STUDY	2
1.2 PROBLEM STATEMENT AND RESEARCH QUESTION.....	4
1.3 SIGNIFICANCE OF THE STUDY	8
1.4 BACKGROUND OF THE STUDY	9
1.4.1 The Political Economy of South Africa, Era of De-industrialization, 1976-1996	10
1.4.2 Implications for the Racialized Spatial and Socio-Economic Shifts of Johannesburg	12
1.4.3 Promoting the Black Entrepreneurial Class: Policy Framework of Broad-Based Black Economic Empowerment	13
1.5 SCOPE OF THE STUDY	17
1.6 THE AUDIENCE.....	18
1.7 LIMITATIONS OF THE STUDY	18
1.8 OVERVIEW OF THE DISSERTATION	19
2.0 REVIEW OF THE LITERATURE.....	21
2.1 SOCIAL CAPITAL AND ECONOMIC DEVELOPMENT	21

2.1.1	The Relevance of Social Relations in Development Theories of the Post World War	21
II Era		21
2.1.2	Defining Social Capital – Foundational Scholars	25
2.1.3	Primary Theoretical Approaches to Social Capital and Economic Development	29
2.1.4	The Notion of Social Embeddedness	37
2.2	ENTREPRENEURIAL SOCIAL NETWORKS	40
2.2.1	Emphasized Features of Entrepreneurial Social Networks in the Literature	42
2.2.2	Diversity of Entrepreneurial Social Networks.....	45
2.3	EMPIRICAL ENTREPRENEURIAL NETWORK STUDIES IN VARIOUS GLOBAL REGIONS.....	47
2.4	EMPIRICAL ENTREPRENEURIAL NETWORK STUDIES IN AFRICA	51
3.0	METHODOLOGY.....	58
3.1	THE METHODOLOGICAL CHOICE OF GROUNDED THEORY	58
3.2	THE RESEARCH CONTEXT.....	60
3.2.1	Political Economic Context.....	60
3.2.2	The Business Place – Community Partner and Interview Site.....	63
3.3	RESEARCH PARTICIPANTS	65
3.3.1	Employee Structure	66
3.3.2	Industries.....	67

3.3.3	Demographic of Entrepreneurs.....	67
3.3.4	Age of Businesses	68
3.3.5	Geographic Location of Businesses.....	69
3.4	RESEARCH INSTRUMENTS AND PROCEDURES.....	69
3.4.1	Instrument: Revised Version of Abigail Barr’s Entrepreneurial Network Diversity Questionnaire	70
3.4.2	Data Collection Procedures	72
3.5	DATA ANALYSIS: OPEN, AXIAL, AND SELECTIVE CODING	74
3.5.1	Open Coding	74
3.5.2	Axial Coding.....	75
3.5.3	Selective Coding.....	76
4.0	DATA ANALYSIS	79
4.1	OVERVIEW OF THE DATA ANALYSIS	79
4.1.1	Bonds, Bridges, and Linkages	80
4.2	NETWORK RELATIONSHIP TYPES	83
4.2.1	Bonding Relationships.....	85
4.2.2	Bridging Relationships	90
4.2.3	Linkages.....	109
4.3	NETWORK DIVERSITY STRUCTURE AND VALUE – ANALYSIS PHASE I – CLOTHING ENTREPRENEURS	119
4.3.1	Network Diversity Structure: Relationship Type, Number, and Prominence	119
4.3.2	Network Diversity Value: Orientations of Value	121

4.3.3	Hypotheses.....	132
4.4	NETWORK DIVERSITY STRUCTURE AND VALUE: ANALYSIS PHASE II – SERVICE ENTREPRENEURS.....	132
4.4.1	Network Diversity Structure – Service Entrepreneurs.....	132
4.4.2	Network Diversity Value of Service Entrepreneurs.....	135
4.5	ANALYSIS PHASE III: INTERACTION BETWEEN ECONOMIC SECTOR AND OTHER VARIABLES IN EXPLAINING VARIATION IN NETWORK DIVERSITY STRUCTURE AND VALUE	138
4.5.1	Hypothesis 3: Economic Sector and Vulnerability to Global Imports ...	139
4.5.2	Hypothesis 4: Economic Sector and Business Development Phase.....	142
4.5.3	Hypothesis 5: Economic Sector and Firm Size	152
4.6	THE MODEL OF NETWORK DIVERSITY VALUE:	154
	INTEGRATION OF CATEGORIES VIA APPLYING THE PARADIGM MODEL	154
4.6.1	Condition: Entrepreneurial Identity	156
4.6.2	Core Category: Network Diversity Value	157
4.6.3	Context: Network Diversity Structure	157
4.6.4	Intervening Conditions: Breakthroughs	158
4.6.5	Actions/Interactions Strategies: Network Restructuring	160
4.6.6	Consequences: Entrepreneurial Progress	163
4.7	THE MODEL OF NETWORK DIVERSITY VALUE–.....	167
5.0	DISCUSSION AND CONCLUSION	170
5.1	REVISITING THE RESEARCH QUESTION.....	170

5.2	IMPLICATIONS FOR THE LITERATURE.....	187
5.2.1	Theoretical Implications	187
5.2.2	Empirical Implications.....	196
5.3	IMPLICATIONS FOR POLICY	200
5.4	FUTURE RESEARCH.....	205
5.5	CONCLUSION	206
APPENDIX A		208
APPENDIX B		210
BIBLIOGRAPHY		212

LIST OF TABLES

Table 1: Properties and Dimensions of Diverse Actors in Entrepreneurs' Social Networks	83
Table 2: Bonding, Bridging, and Linking Relationships in Social Networks	84
Table 3: Orientations of Value for Clothing Entrepreneuers.....	130
Table 4: Orientations of Value for Service Entrepreneurs.....	135

LIST OF FIGURES

Figure 1: Mentor Bond Summary	87
Figure 2: Peer Bond Summary.....	89
Figure 3: Communal Bridge Summary	93
Figure 4: Collaborative Bridge Summary.....	95
Figure 5: Exchange Bridge Summary	97
Figure 6: Outsource Bridge Summary	101
Figure 7: Corporate Client Bridge Summary.....	102
Figure 8: Corporate Assistant Bridge Summary.....	104
Figure 9: Inspirational Bridge Summary	105
Figure 10: Regional Bridge Summary	106
Figure 11: Global Bridge Summary.....	108
Figure 12: Public Official Linkage	110
Figure 13: Public Agency Linkage	111
Figure 14: Public Incubator Linkage	114
Figure 15: Financial Linkage	116
Figure 16: Network Diversity Structure of Clothing Entrepreneurs.....	120
Figure 17: Orientations of Value	121

Figure 18: Network Diversity Structure for Service Entrepreneurs	133
Figure 19: Network Diversity by Business Phase.....	143
Figure 20: Conceptual Framework for Entrepreneurial Progress	166
Figure 21: Theoretical Framework of <i>Network Diversity Value</i>	167
Figure 22: Six Dimensions of Social Capital.....	194

PREFACE

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1.0 INTRODUCTION

“What’s important is that we still need to find a link, a proper link whereby everybody benefits mutually from each other, whereby this will be a movement that will take it out there to the people. For now, it’s trying to find that figure by identifying, identifying the talents, now, fusing them together and coming up with something that is gonna blow up, just bloooooowwwwww.”
W and M, Fashion Designers, Soweto, July 2008

In the backroom of their clothing shop, tucked away in the quieter residential streets of Dube, Soweto, I sat with two young men who spoke words of a cultural revolution. Their store was the icon of ‘urban fusion meets Soweto pride’ in the largest township of Gauteng Province. They represented the first generation in their family to come of age in post-apartheid South Africa. The spirit of entrepreneurship was slowly budding in chosen individuals who desired to press against the reminiscent confines of formally institutionalized discrimination manifested during the era of apartheid. These two young men, in their late twenties, decided to follow suit, and are among South Africa’s emerging entrepreneurs. Like some of their peers, they possess a distinct message of identity and community restoration. They did not see their business venture, less than two years old at the time of the interview, as an initiative in isolation. Their description of their entrepreneurial journey highlighted a value in relationships. They cherished the connections made with other people and organizations, from which they source information, ground-breaking ideas, or just sheer inspiration. Their story, as those of other small black South African

entrepreneurs, emphasized a value in the structure of social relationships, and the diversity of those relationships, as integral to the process of their small business's development.

1.1 PURPOSE OF THE STUDY

The purpose of this study is to understand the entrepreneurial value small entrepreneurs perceive to gain from their social network and to be beneficial to the development of their small business. The primary objective of the study is to first identify the diversity of relationships within a small entrepreneurs' social networks and, secondly, to analyze how small entrepreneurs believe these relationships contribute to their entrepreneurial development in a globalizing African economy. Ultimately the study seeks to present a set of working hypotheses to understand the variation of value orientations drawn from different entrepreneurs' networks, as well as the probable independent variables that explain the variation in network diversity value and the network structure from that they are drawn.

Entrepreneurial value of network diversity is the key variable explored in this study. The broader theoretical framework, suggested by social capital and economic development literature, posits a relationship between social networks and entrepreneurial development. The connection is attributable to the information and resources gained from relationships and the manner in which they contribute to the progress of a small firm. Hence, the literature further suggest that social networks – as a form of social capital – can foster economic development, and in the case of this analysis, the development of the small firms. Although this study's purpose is not to explain firm development or firm success per say, understanding entrepreneurial value from network diversity can shed light on the social conditions and dynamics that contribute to

local economic development and that are valued by firms that have achieved the status of being formally registered and are actively operating.

Hence, in considering the scope of this study, the twenty-four small firms entrepreneurs selected to be interviewed - other than having 10 or less employees- share the common criteria of being active, registered, and operating firms. In this regard, the analysis is limited to understanding the social network diversity of *operational* small firms in Johannesburg, and does not include the analysis of the network of businesses who are no longer in operation. Inherent in the study, therefore, is a definition of successful firms – such as those which are in operation- from which the data is drawn. They unveil intriguing stories of setbacks, frustrations, strategy, chance, and triumph, all towards their current status as live and functional businesses.

Needless to say – as a project of the grounded theory methodology – the study considers such a definition of success to be a working one. Incorporated in the investigation is the question asking entrepreneurs to define entrepreneurial success, in order to derive the meaning success from their interpretation and perceptions, and in future analyses, illumine the relational structure and value which they believe help to materialize this definition.

The study employs a grounded theory methodology to analyze qualitative data gathered from the entrepreneurs. The study took place during the months of June to August, 2008 with assistance from the staff of The Business Place main office in Johannesburg, South Africa. Results of the analysis reveal a prevailing set of hypotheses concerning the central phenomenon termed *network diversity value*. Furthermore, key concepts are derived and related to the central concept to constitute a conceptual framework for continued testing and validation, and the potential development of a broader theory. The study conveys the following main findings. First, the structure of network diversity differs between small manufacturing

entrepreneurs of the clothing industry and small service entrepreneurs of the construction; health and beauty; and media and public relations industries. Secondly, the value perceived to be drawn from the diversity of their social networks differs partially between the small entrepreneurial groups. Thirdly, the study hypothesizes that entrepreneurs' varying vulnerability to global competition in the form of imports may be an explanatory variable for the difference in the structure and value drawn from network diversity between sectors. Nonetheless, vulnerability to imports does not explain the variation of network diversity structure and value *among* firms of the *same* sector. Continued analysis supported the fourth probable hypothesis that the business phase of the small firm may also explain the structure and value of the social network, possibly even more so than the size of the firm, constituting the fifth hypothesis. Such findings pose implications for entrepreneurial development, including the importance of strategically shaping a social structure that is conducive to innovation, synergistic production, and creating opportunities for others. Furthermore, implications are presented for other institutions, such as the strengthening of technological infrastructure to facilitate regional and global relationships, and the intentional role of economic development institutions to form those ties across groups between which such relationships did not originally exist. The study ultimately emphasizes the critical role of non-economic factors – particularly the social structure within which entrepreneurs are embedded – in analyzing local South African economic development.

1.2 PROBLEM STATEMENT AND RESEARCH QUESTION

How does the diversity of the social networks of small black businesses contribute to their entrepreneurial development? The trend of entrepreneurial development in South Africa in light of the structural change of the political economy; increased global integration; urban transformation of demographic and socio-economic patterns; and new policies promoting black economic empowerment speak positively to a shifting policy environment towards entrepreneurship. The Global Entrepreneurship Monitor (GEM) has marked the rate of Total Entrepreneurial Activity (TEA) since 2001 in South Africa. Data from the GEM South African 2007 report notes a gradual increase in the TEA rate, from 4.3% in 2001 to a steady 5.0% in years 2004, 2005, and 2006. Of this increase in total entrepreneurial activity, the data in the report suggest that most entrepreneurial activity is opportunity-driven. Furthermore, 33.3% of start-ups are maturing into new firms in 2006, compared to 24.4% of start-ups in 2001 (Maas and Herrington, 2007). Most recently, the GEM South Africa study from 2008 reveals that the consistency of total entrepreneurship activity evident in 2004 to 2006 experienced a small, but statistically significant increase between the years of 2006 and 2008. Again, most of the entrepreneurial activity was noted to be opportunity-related, accounting for 79% of the current entrepreneurial activity (Herrington et al, 2008).

Hence, entrepreneurship is increasing within the South African economy. As entrepreneurs are part of a social environment, the entrepreneurial process involves constant engagement with the society in which they are embedded. Firms do not develop in isolation of actors surrounding them and the relationships connecting them. Hence, it is intriguing to understand how entrepreneurs harness the most from the ties they possess as they perceive most beneficial to their entrepreneurial development. Such findings would have implications for

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policies promoting entrepreneurship among the black population, such as the Broad-Based Black Economic Empowerment.

It is worth noting, however, that these relationships, and the diversity of the actors maintaining them, do not take place within static conditions. As Africa becomes increasingly integrated into the global economy, increased exchanges of goods, capital, people, and ideas with the rest of the world continues to shape and respond to changes of the local society. Small entrepreneurs of the Johannesburg economy, for example, occupy not only a local market, but must also confront and compete with the pressures of a global market. Buchan et al (2009) hypothesize that the vulnerabilities and advantages that societies face as a result of globalization can have two effects of human cooperation, and suggest interesting implications on entrepreneurs' social network formation. On one hand, globalization can further fragment networks, causing entrepreneurs and their contacts to cling more tightly to groups based on certain aspects of identity, such as ethnicity or gender. On the other hand, globalization can promote cosmopolitan dispositions among entrepreneurs to decrease the importance given to certain affiliations and promote broader, inclusive connections to a diverse array of actors. Hence, one hypothesis suggested by the analysis is that the network diversity of clothing manufacturing entrepreneurs- a group that is directly affected by global clothing imports as suggested by the data – possesses numerous and more diverse prominent relationships of cooperation than those of service entrepreneurs, whose data does not suggest global competition to be as weighty a pressure. Globalization of the Johannesburg economy provided an essential backdrop, an environment of push and pull factors, within which small entrepreneurs and their networks operate.

Globalization, however, cannot sufficiently serve as the only hypothesis for many variables can be identified in explaining network diversity. This question is raised in seeking to understand, for example, why the network diversity of firms within the alleged import-sensitive sector- such as the clothing sector - is not all the same. Continued inspection of the data led to the next hypothesis that the variation of network diversity among entrepreneurs in the same sectoral group may be attributable to an entrepreneur's business phase. Intrigued by this finding, on-going analysis explored the variable of firm size to ultimately lead to the hypothesis that although firm size may explain network diversity more for service than clothing entrepreneurs, the data also suggest that the relationship between firm size and network diversity may be a function of business phase.

In summary, this study's findings serve to develop and support the central thesis that the value and structure of the diversity of relationships within local South African small entrepreneurs' social networks differ across economic sector. This variation in network diversity structure and value is hypothesized to be attributable to several variables, specifically sectors' varying vulnerability to global economic pressures, as presented in this case by foreign imports, and the phase of business, explaining variation within the groups. The core research question – inquiring as to how social networks contribute to local entrepreneurial development – will be answered by an in-depth exploration of small entrepreneurs' interactions with various bonding, bridging, and linking relationships. The findings are also expected to offer more empirically-based insight to the theoretical conceptualization of social embeddedness.

1.3 SIGNIFICANCE OF THE STUDY

For long, the social dimension of the market has been excluded from the analysis of economic development (Grannovetter, as cited in Dobbin, 2004). Economic history of countries within the African continent – South Africa included- has conveyed the continent’s varied experiences in adopting a neo-liberal ideology of growth. Their integration into the world economy as independent countries would be guided by the reigns of structural adjustment programs and western-sourced foreign aid conditionalities. In this regard, the standards of privatization, reduced government control, trade and capital liberalization served as the dominant mantras of economic development, with full belief that ‘structural adjustment’ in alignment with certain macroeconomic indices would set in place the proper conditions to spark an economic revolution. Nonetheless, such an economic revolution never took place.

Market behavior is not a faceless, systematic machine. The transactions of relative value – denoted by price and transferred via currency – of which the market behavior is constituted - still takes place between humans, whether or not these humans are housed in corporations, government agencies, or villages. Hence, the philosophical argument holds that market behavior is shaped by human behaviors (Woolcock, 2000; Granovetter, 2004). Furthermore, as Karl Polanyi (1944) has famously concluded, the embeddedness of the market in its surrounding

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social structure produces economic activity from which the masses benefit. Hence, in order to effectively analyze the local economy, one must understand how surrounding social interactions guide the behavior of which it is comprised.

In lieu of the growing discourse concerning the interplay of market forces and its encasing social structure, Naude and Havenga (2005) note that – within the African context - few empirical studies of such nature have been conducted, and there is a need for more empirical investigations which bring light to the role of social relationships and networks in shaping African economic behavior and activity. Hence, the study is significant in that it aims to contribute to understanding the activity of local African economic actors via a close look at the social networks within which they operate. Furthermore, this study moves away from a deductive approach, and is carried out by an inductive analysis of meanings and relationships derived directly from the data. It is believed that more grounded studies on African local economic development can contribute to accurately guiding policy or programs that would effectively respond to the unique nature of society and spark change where change is needed.

1.4 BACKGROUND OF THE STUDY

The entrepreneurial community of South Africa sits within a historical backdrop of dramatic shifts in political ideology and economic liberalization. The few decades leading up to the end of apartheid were characterized by the de-industrialization of the South African economy, introducing new constraints and opportunities for an emerging class of formal black businessmen

and women. The state and communities constantly debate over the varied outcomes, which different economic actors would experience as provoked by this structural transformation.

1.4.1 The Political Economy of South Africa, Era of De-industrialization, 1976-1996

In the decades following WWII, South Africa experienced high levels of growth. Reigning economic policies at the time featured strong intervention of the state, resulting in a strategic national development plan. This plan held the policy of import-substituting industrialization (ISI) at its core, common to many developing countries during this era. The manufacturing sector then expanded dramatically, creating high levels of employment and production of goods. (Beall et al, 2002)

The international discourse concerning economic development gradually began to shift by the mid-1970s and early 1980s. Neo-liberal economic ideology increasingly dominated the framework of development policies. Moving into the 1980s, the South African government gradually shifted from an ISI policy direction to that of export-led growth. Economic liberalization took precedence, and in the efforts to attract foreign direct investment and capital, focus was placed on decreasing trade protection, lowering government expenditures, and managing inflation. Efforts to control inflation, however, served to be the most controversial and unpredictable. Monetary contractionary policies – reducing the supply of money and increasing interest rates so as to decrease inflation– increased the cost of credit. Domestic manufacturing began to struggle. Hopes of attracting investors due to low inflation were replaced by detracted investors due to high interest rates. Capital flight was further enabled due to government's

relaxation of capital controls. South Africa's growth of the earlier decades – formerly driven by high-level manufacturing - began to decline significantly. Exacerbated by the international community's trade sanctions imposed in response to apartheid, the de-industrialization of the African continent's largest economy would begin. (Beall et al, 2002)

Political structure dramatically changed with the end of apartheid in 1994. The new democratic regime, led by the African National Congress, turned political power over to the hands of the black majority. With this political transition, economic restructuring that would promote distribution and empowerment among the black population was made a priority. For long, the black population had been excluded from acquiring assets of production and wealth-generating opportunities. Despite the political change, economic policy approaches of the post-apartheid era, however, remained the same as that of the former two decades. The new democratic government continued to emphasize the need for macro-economic stability as a priority to attract foreign direct investment (Magubane, 2002; Beall et al, 2002). Once again, urgent attention was given to inflation control, using monetary contractionary policy and high interest rates as the primary policy instruments. With a low money supply, demand for both local and foreign goods plummeted, curtailing the production capacity of local manufacturing firms. Additionally, an overvalued rand, due to high interest rates, made South African exports too expensive for the rest of the world to consume. Again, decline of the South African manufacturing sector led to the escalation of South Africa's unemployment rate, and a dramatic decline of its growth rate. (Beall et al, 2002; Magubane, 2002)

1.4.2 Implications for the Racialized Spatial and Socio-Economic Shifts of Johannesburg

South Africa's simultaneous democratic and economic transition exerted pressures on the social conditions and, according to Magubane (2002), reinforced the racialized disparity of wealth. Extreme job loss provoked by the decline of the manufacturing sector exacerbated poverty levels of the black majority (Ballard et al, 2005). In response to these societal pressures, the people made most vulnerable mobilized themselves to collectively demand intervention and accountability from the government. Hence, social movements served as prevalent means by which the people would counter government's control and express discontent with existing institutions (Ballard et al, 2005).

The social and spatial layout of Johannesburg began to also transform. Formerly, in the days of apartheid, the white middle class occupied the more affluent northern suburbs of Johannesburg, while the black working class remained in the southern areas. The southern areas contained the major township areas, such as Soweto, and other predominantly-black communities. Most of the black residents within these areas were low-skilled labor of the thriving manufacturing sector. (Beall et al, 2002)

Two dynamics occurred with the black population upon the de-industrialization of the South African economy. First, as mentioned, many of the black population were left without manufacturing jobs. On the other hand, however, the post-1990s made way for a thriving service industry in areas such as real estate, finance, and personal services. Members of black communities who qualified for employment, or became entrepreneurial, were able to access new income-generating opportunities through the growth of the service industry. This newly-gained prosperity enabled these individuals to leave the southern Johannesburg towns and move into the

wealthier northern inner-city or suburban areas. The middle class of South Africa was now becoming increasingly multi-racial. (Beall et al, 2002)

It is within this varied socio-economic backdrop that this study explores the economic value of black entrepreneurs' social networks. The city of Johannesburg hosts a band of black entrepreneurs stemming from both an emerging black middle class as well as the more economically striving black working community. They can be located throughout all corners of the Johannesburg metropolis and beyond, extending from the posh Sandton and suburban Randburg to the lively township life of Soweto and Volorus. They occupy a variety of service industries from catering to construction, and are both men and women, young and old. As these characteristics suggest, black entrepreneurship is far from a monolith. Hence, the similar and distinct manners by which this diverse black entrepreneurial society of Johannesburg – in gender, age, location, experience, and personal ideal – utilizes its social networks to its economic favor is of great interest. This interest becomes especially pressing in light of the opportunities and pressures globalization presents to the African world city that is Johannesburg.

1.4.3 Promoting the Black Entrepreneurial Class: Policy Framework of Broad- Based Black Economic Empowerment

As the South African institutional and social environment changes, and entrepreneurship in black South Africa gradually increases, small entrepreneurs are challenged to learn how to maneuver through complexities and uncertainties of running – and sustaining – a business. A typical challenge the small entrepreneur may face includes a lack of financial capital,

management skills, adequate training, and information (Rwigema and Karungu, 1999). Policy and institutional change – including the revising of the National Small Business Act of 1996 and the establishment of the Khula Enterprise Finance Ltd and Ntsika Enterprise Promotion Agency in 1995 - were nation-wide strategies by which to assist small entrepreneurs in overcoming these challenges – and in turn – to promote entrepreneurial development (Rwigema and Karungu, 1999). In more recent years, the responsibility has been placed on local government, rather than national government, to lead local economic development initiatives (Rogerson, 2000). Hence, institutions such as the Gauteng Enterprise Propeller and various provincial based business associations have become more visible in the institutional support framework for small business in Gauteng.

Nonetheless, as the economic disparity across racial communities within South Africa is still high, there is much to understand so as to develop local and national strategies by which South African communities can engage in economic development that empowers the most vulnerable and provides opportunities for the able, but historically excluded. Most currently the nation has launched the Broad-Based Black Economic Empowerment (B-BBEE) Program as a key policy framework for developing and mainstreaming black-owned business into the broader economy. B-BBEE is an expansion of the original Black Economic Empowerment program, qualifying more members of the population to access the benefits it offers as well as targeting other economic areas beyond only asset ownership and management, as was the case with the original BEE. B-BBEE was launched by Thabo Mbeki's administration in 2003 to reverse the economic marginalization of the black majority. At the dismantling of the apartheid apparatus and rise of the African National Congress (ANC) in 1994, economic control remained with the white minority although political power had been transferred to South African black population.

South Africa's economy inhabited a severe level of inequality, which fared less than conducive for economic growth. ([BBBEE](#) Bill, 2003)

B-BBEE redistributes control of South Africa's resources and production assets to better match the racial composition of its society. It conceptualizes the term 'black' to include those racially identified as Coloured, Indian, and Black South Africans. Described in its *Codes of Good Practice*, various areas of economic participation are targeted in efforts to encourage black economic activity. These codes include strategies of increasing procurement and investment in black-owned businesses, improving the skill-level among black employees in preparation for higher-level management, diversifying South Africa's labor force, improving socio-economic development and promoting black entrepreneurship. Mending such disparities would not only correct the ills of apartheid but strategically position the nation for economic growth which benefits all. Businesses that abide by and achieve the integration of these codes into their corporate mainframe accumulate a certain amount of points allocated for each achieved area. This progress is documented through a scorecard. Sufficient 'points' deems a company B-BBEE certified, giving the company a mark of distinction as a positive contributor to black economic empowerment, corporate social responsibility, and equitable economic growth at large. Such a certification is presented as an incentive to other businesses to engage in transactions with the B-BBEE firm, for which they would also accumulate points of their own. ([BBBEE](#) Bill, 2003; <http://www.bee.co.za>)

The B-BBEE has raised controversy regarding its effectiveness to promote black entrepreneurship. On the one hand, proponents applaud its strategic focus on economic diversification and its success in increasing opportunities in formal-sector employment and entrepreneurship, especially for women (Ndhlovu, 2009). Nonetheless, BBBEE has bore a fare

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share of criticisms, including the allegation that only black entrepreneurs with very close government ties benefit from the policy (Tangri and Southhall, 2008). Critics have accused architects of the plan of promoting a ‘crony capitalism’ which only reinforces the class divide, this time, within race. In providing such opportunities for selected black entrepreneurs, while failing to address the underlying conditions that allow exploitation to continue, BEE lessens the attention given to the persistence of a predominantly-black exploited working class (Du Toit et al, 2008). Furthermore, black South Africans assert that more skills development and education among the black populace is needed so that black businesses and employees remain viable in the private sector beyond gaining the BBBEE benefits (Hamilton, 2003). Critics also accuse predominantly white-owned companies of ‘window-dressing’ their business profile with shallow partnerships with black companies or the hiring of black employees, when in fact, little autonomy or opportunities of advancement are offered to either as a result of the partnership (Hamilton, 2003). Others argue that BEE is inevitably subject to the power of the private sector, and hence, presents a potential for government-corporate collaboration which is also vulnerable to the weighty demands of large businesses (Hamann, 2008). This corporate bias would only further frustrate labor and small entrepreneurs, leading – according to Bishop Desmond Tutu- to increased fragmentation and violence (Kunda, 2009).

These criticisms provide important points of consideration for this study in that they suggests that entrepreneurs’ relationships – such as those with government, for example- position entrepreneurs to better utilize the opportunities provided through such policies. In turn, these same criticisms suggest that entrepreneurs who do not have these networks may not be as able to access or exploit such opportunities. Presumably, these relationships expose entrepreneurs to the ‘skills development and education’ – as well as a gamut of other resources - needed by small

black entrepreneurs to increase their capabilities to take advantage of existing resources. Hence, it is important to understand which types of relationships exist in entrepreneurs' social networks, and what useful items and information these relationships contribute towards building up small black-owned business and positioning them to harness options of economic advancement. Argued weaknesses of entrepreneurial development policies, which attribute to the policy's failure in achieving its stated goals of increasing the presence of black ownership, also raise questions of the disparities in social structure of entrepreneurs which enables some and not others. Hence, the hopes of this study are to unravel the differences between the different entrepreneurs' networks of relationships in terms of structure and value that may inform future policy of the social structural conditions deemed necessary by small entrepreneurs in supporting sustainable entrepreneurial development.

1.5 SCOPE OF THE STUDY

The scope of the study covered only the relationships of small (10 employees or less) black South African entrepreneurs and how these social relationships contribute to their entrepreneurial development. The businesses were all formal firms, and hence, this study does not analyze the social networks of the informal business sector. Furthermore, this study highlights the variation of network diversity structure and value surrounding firms which are currently operating and does not include the analysis of networks surrounding firms that have gone out of business or are

not currently operating. Hence, embedded in the analysis is the implied definition of a successful firm as an operating one; however, questions posed in the interview generate data which allow for a definition of success to be derived directly from the entrepreneurs' responses. Furthermore, the study specifically looks at particular criteria and does not analyze variation across several other entrepreneurial characteristics that could offer some useful insight in explaining network diversity, such as the age of entrepreneur, regional location of business, or gender of the entrepreneur. The investigator recognizes that these characteristics present intriguing directions for further research and plans to continue to develop these angles of the study in the future.

1.6 THE AUDIENCE

The audience for this project is comprised of academics, professionals, and students in the fields of international development, management studies and private sector development, development economics, and economic sociology. The project is specifically geared to researchers and practitioners with a specific interest in African development.

1.7 LIMITATIONS OF THE STUDY

This study primarily focuses upon the structure and value of the diversity of social networks as perceived by entrepreneurs in the present. Hence, the findings are to be taken in light of the entrepreneur's current phase of development at the time of the interview. Assumptions could be made that the structure and value of their network diversity would change over time as their business develops. This dimension of time would be best captured through a longitudinal study, and hence, is beyond the scope of this study. Nonetheless, it poses possibilities of continued investigation for the future.

Moreover, the study is conducted in Johannesburg, South Africa- an urban metropolis known to host a high-level of commercial activity that may contrast significantly from other regions of South Africa, and located in the South African province with the highest rate of total entrepreneurial activity (Herrington et al 2008). It is therefore recommended that the study be conducted in other regions of South Africa – other provinces, as well as within non-urban areas – so as to verify the ecological validity of the findings (Christiansen, 2001).

1.8 OVERVIEW OF THE DISSERTATION

This study is organized as follows. Chapter 1 has provided a general introduction to the study, briefly highlighting the historical political economic context of Johannesburg within which the study took place. Chapters 2 will layout a theoretical and empirical review of the social capital literature and its relation to economic development, eventually focusing on social network

studies, and specifically their findings within African societies. Chapter 3 will describe the involved methodology in greater detail, providing a thorough explanation of Grounded Theory and the research design. Chapter 4 will provide an examination and analysis of the data and will present the prevailing hypotheses related to the core concept, termed *network diversity value*. The analysis, policy implications, and directions for future research will be further discussed and concluded in Chapter 5.

2.0 REVIEW OF THE LITERATURE

The relationship of social capital and economic development has long been featured in development literature. The following sections layout the primary contributors to the literature and its relevance and significant to the current study.

2.1 SOCIAL CAPITAL AND ECONOMIC DEVELOPMENT

2.1.1 The Relevance of Social Relations in Development Theories of the Post World War II Era

The decades following the Second World War produced an abundance of intellectual thought concerning the transformation of newly-independent societies, which were emerging throughout regions of the globe. Scholars persistently explored the means by which these new societies would be able to establish political, economic, and social vitality to ensure the productive progress of their communities. In the midst of this on-going development discourse, the role of social relationships was perceived in a variety of ways.

Modernization theorists of the 1950s and 1960s dominated the early years of the post-WWII development discourse, and strongly asserted that development of these new economies

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would warrant the dismantling of the values and structures that upheld traditional societies so as to give way to a process of modernization (Escobar, 1995). Existing within poor nations was the pervasive presence of traditional communities which operated largely by “immemorial” prescriptive norms – fostered by religion and other forms of long time embedded ideologies- which shaped human behavior to be driven and defined by group interests (Apter, 1965, p.83). Close kinship ties between members of like demographics and history characterized the social structure of most traditional societies, aiding to solidify a society which was internally cohesive. Such a social structure however allegedly hindered the ability of individuals to make choices deemed most beneficial, which Apter considers a prominent quality of a modern society (Apter, 1965). Traditional societies, of which tight integration of like persons was a prevailing trait, were perceived largely as a blocking force to modernization. Transformation would require the adaptation of modernization forces, likened to the Western path of development, where a traditional structure was replaced with modern structures (Ward, 1962). This modernized society entailed the gradual disintegration of centrally-controlled behavior and hierarchically-dictated values. Apter (1965) emphasized the reigning ideology of individualism, promoting the ability of people to actualize themselves, make personal choices, and maximize power through alliance building. Economic development theories of this modernization intellectual era would also depict the distinction of modern and tradition in their dual economic models (Lewis, 1955; Kuznet, 1955; Rostow, 1960; Martinussen, 1997). The mobilization of dwellers within the traditional agrarian sectors to the new industrializing activities of the burgeoning economies –implied the gradual breakdown of close familial ties and augmented individual identity in order to facilitate the modernization process.

By the 1970's, dependency and world-system theories – as Woolcock and Narayan (2000) explain – had taken the center stage of development theoretical thought. In contrast to the modernization view, social relations are not perceived as a hindrance to development, but rather, exploitative means by which to channel capitalistic gains towards certain groups (Woolcock and Narayan, 2000). Developing economies are conceptualized as sources of raw materials and production inputs for the highly advanced capitalist cores of the developed world (Frank, 1967). In this regard, their integration into the capitalist economy is via an economic relationship which renders their economic activity dependent upon the demand and production level of the more advanced economies (Frank, 1967; Amin, 1967). Andre Frank identifies the social relationships across economies – formed often between the capitalist elites existing in both the center and peripheral economies – concentrate production resources and power by which to exploit laborers, small farmers, and other members of the working class (Frank, 1967). Cardoso (1974) , using the same framework, brings attention to the heterogeneity across developing economies, and their varying societal attributes that cause different nations to respond differently to external factors. In contrast to Frank's conclusions, Cardoso's close examination of Brazil's industrialization reveals that strong social relations among the capitalist elite can be a contributing factor to furthering national economic development in the midst of dependency conditions.

As the 1980s and 1990s gave rise to the neo-classical theories of development, again, the perception of the role of social relations in economic development changed. Few properties were afforded social relations other than their ability to reduce transaction cost of the exchanges of information and resources (Woolcock and Narayan, 2000). As the maximization of utility is a driving assumption of the neo-classical paradigm, the individual serves as the reigning unit of analysis (Marshall, 1890 cited in Martinuessen, 1997). The influence of social relations upon

individual's decision-making was not deemed as potent as the individual's own rationality and preference. Bates (1988) and Popkin (1988) illustrate this point via their studies of the peasant villages within the African context. Popkin (1988) show that – although part of a group – small rural farmers still made decisions towards production practices which they deem optimal, even when the total social gain may suffer. Hence, with the correct incentives, he argues, farmers would make their own individual choices to increase production. Market institutions, as aggregates of individual interests, most effectively provide such incentives than social affiliations (Bates, 1988).

Tumultuous global economic progress at the turn of the 21st century- and the resulting strains of social cohesion - empirically challenged the tenets of neo-classical economics and its effectiveness in ensuring sustained and equitable development (Fukuyama, 2002). Globalization became a pervasive phenomenon that captured the dynamic integration of economies and the conflicting political domain where economic actors – and the state – would joust or negotiate to ensure their respective survival or profitability. Empirical evidence could not deny the increased “social disintegration,” of national economies resulting from global economic integration where institutions did not adequately shield the most vulnerable (Rodrik, 1997, p.70). Hence, as Rodrik (1997) asserts in his work, *Has Globalization Gone Too Far?*, globalization contributes to the deterioration of social cohesion by intensifying tension between groups and by decreasing the incentive of economic actors who have means of moving away from such dire impacts, to working together to resolve conflict. In this current age, globalization casts a “double blow to social cohesion,” and raises serious implications for the role of social relations in economic development (Rodrik, 1997, p. 70).

In more recent times, the ‘rethinking’ of development has challenged these existing theories (Fukuyama, 2002, p. 24). This rethinking within the latter part of the 1990s has introduced and attempted to integrate cultural and social factors into economic growth and development models (Fukuyama, 2002). According to Fukuyama (2002), the Washington Consensus which scripted the unfolding of a neo-classical development agenda, failed in achieving widespread economic growth because it was incomplete in its incorporation of social capital into the development equation. He concludes that economic policy is not sufficient for development, but requires the ideal of cooperation embedded in social capital to foster the appropriate political, institutional, and cultural preconditions within which implementation of economic policy bears the most useful outcomes (2002). Indeed, the role of social relations in economic development has gradually become a more provocative and scrutinized variable in the development debate with great entrepreneurial and economic consequence. As Rodrik (1997b) summarizes well,

“The broader challenge for the 21st century is to engineer a new balance between the market and society – one that will continue to unleash the creative energies of private entrepreneurship without eroding the social basis of cooperation.”
(p. 36)

The discussion will now move to an overview of the definition of social capital, and the theoretical conceptualization of social relations prevailing in the development discourse.

2.1.2 Defining Social Capital – Foundational Scholars

The definition of social capital remains highly contested, and hence, a nebulous theoretical framework within which to do research. From traditional conceptualizations of the intangible resource value engrained in personal relationships to the more recent conceptualizations of institutional cohesion and sound governance, the developments of social capital have unfolded in broad applications.

Social capital literature primarily finds its origins in the works of three scholars, Bourdieu, Coleman, and Putnam.

Focusing on the social integration of human beings and the resources stemming from such integration, Pierre Bourdieu's work offers one of the foundational theoretical inspirations to developing the concept of social capital. The French sociologist (1986) asserts that social capital is "The aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (Bourdieu, 1986, cited in Portes, 1998, p.3). In Bourdieu's conceptualization, social capital possesses two major dimensions. First, it refers to the relationships that are formed between people. Secondly, social capital refers to the resources itself, the benefits that are gained as a result of being part of the network. In other words, this two-sided definition of social capital entails both the benefits of the relationships as well as the construction of the relationships. (Portes, 1998)

In relation to economic development, social capital, Bourdieu (1986) explains, is one of several forms of capital which determines a person's position in society and the consequential returns they experience. Social capital, as cultural or symbolic capital, is derived from economic capital, and with intentional efforts, can be developed to reap certain benefits over time. Specifically, he conceptualizes social capital in the form of an individual's membership to

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certain networks which influence one's choices, reputation, or affiliations so as to increase productivity and monetary gain. One's social capital can be measured by the size of one's network, the number of connections possessed, and the amount of capital that can be attained through the mobilization of such connections (Bourdieu, 1986). Bourdieu affirms that cohesion of the network is a product of the individual gains of members, serving as incentive to uphold such relations. Hence, social capital is driven by self-interest and network formation is a product of rationalizing its value (Bourdieu, 1986).

James Coleman's (1988) foundational work on social capital in several ways aligns with Bourdieu's explanation of social capital. Similar to Bourdieu, Coleman emphasizes the social network as a form – and facilitator - of social capital. Social capital inherently lies in the relationships between and within actors. Furthermore, Coleman emphasizes social capital's ability to produce other types of capital. His seminal study on the analysis of high school dropouts illustrates social capital's integral contribution in cultivating conditions and informal institutions that create human capital among youth (Coleman 1988).

Nonetheless, in contrast to Bourdieu's assertions, Coleman's work fundamentally challenges the reigning assumption of neo-classical economics that human beings act merely in self-interest (Coleman, 1988; Castiglione, 2008). His introduction of social capital into a rational action paradigm notes how social capital can inform actor's decisions, but how actors do not make decisions solely based on individualistic aspects as commonly argued. Beyond the tangible resources accrued, social capital is also manifested in the less tangible forms of expectations and obligations; information; and social norms and sanctions. These are also products of relationships that influence individual action. (Coleman,1988). In relation to economic

development, Coleman emphasizes that relationships present norms of appropriate behavior, formalizing codes of conduct that guide economic behavior. (Castiglione, 2008)

Coleman's contribution brought social capital to the theoretical limelight while also broadening its definition. He defines social capital as "Variety of entities with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors within the structure" (Portes, 1998, p. 5). Despite the scholarly attention awarded social capital, the broad definition remained controversial among disciplines which accused the concept of its minimal theoretical substance. Social capital seemed to refer to everything, and hence in turn, nothing at all (Woolcock, 2002).

The conceptualizations of social capital as networks and norms are then further extended to include that of institutions with the theoretical insight of Robert Putnam.

The work of Robert Putnam (1993) highlights the role of community associations and other forms of organization to promote a notion of civicism and civility in a society. His study featured a comparative analysis of institutional performance across regions of Italy with stark differences in development levels to understand the explanation for this variation. He found the answer to be the degree of social capital exhibited by respective regions. Similar to Coleman, social capital in Putnam's study embodies a connotation of values and meanings cultivated by close relationships as typical in community life. Additionally, however, Putnam's analysis illustrates how social capital also reflects a connotation of structure, in reference to formal associations, and its power to shape institutions. Inspired by the classical works of Alexis de Tocqueville, social capital refers to the value of associations in societal life, and its power to educate citizens of civicism. In relation to economic development, Putnam's work empirically illustrated that regions of Italy within which such social capital existed, facilitated democratic

institutions and made environmental conditions conducive to positive economic development in one region. The development of this regions contrasted from the other, in which such forms of social capital did not exist (Putnam 1993; Portes and Sensenbrenner, 1993; Castiglione, 2008).

2.1.3 Primary Theoretical Approaches to Social Capital and Economic Development

Stemming from these signature scholars is a variety of attempts to streamline the social capital concept and its applications to economic development. Generally, social capital has been conceptually organized as either social networks connecting people and groups or social norms that direct and inform their behavior (Woolcock, 2003). Attempts to clarify the gamut of conceptual approaches to social capital are broadly developed to integrate Bourdieu's emphasis of networks, Coleman's emphasis of norms, and Putnam's focus on institutions. The following conceptual approaches depict the prevailing attempts to theoretically organize the concept of social capital into a framework equipped to adequately examine the relationships between social structure and economic dynamics in a systematic way.

Sources of Social Capital Alejandro Portes' (1998) *sources of social capital* aim to uniquely distinguish the source of social capital from its consequences. These *sources* convey natures of relationships, which are either consummatory or instrumental in nature.

His outline identifies social capital's sources as *bounded solidarity, value introjection, enforceable trust, and reciprocity*.

The *consummatory* sources of social capital describe the normalization of behaviors which then become sources of other communal benefits. An example would be a neighborhood watch based upon the accepted norm of mutual accountability. This norm creates a safe atmosphere enabling other activities. Social capital derived from a consummatory source operates upon the premise that human behavior is *over-socialized*, conforming to values perpetuated by a collective. *Value introjection* and *bounded solidarity* describe two forms of consummatory social capital typified by the influence of social norms. Stemming from the classical theorists of Durkheim and Weber, value introjection refers to the “moral character of economic transactions” (Portes and Sensenbrenner, 1993, p.1324). Internalized values guide the economic behavior of society. *Bounded solidarity* similarly refers to such internalized values but within a specific group of whose members undergo common adversarial conditions. Inspired by Marxist philosophy of class consciousness, solidarity is a product of this common experience, and societal transformation. Unlike value introjection, values do not drive bounded solidarity, as much as the formation of a class consciousness. This sense of belonging promotes altruism, which unlike value introjection, is not broad sweeping but is largely confined to the group. (Portes and Sensenbrenner, 1993)

On the other hand, the *instrumental* source of social capital describes social structures as a tool by which individuals access gains to further their own individual aims. In this regard, human behavior is assumed to be *under-socialized*, and aligns with a common assumption in liberal economic literature (Portes, 1998; Portes and Sensenbrenner, 1993).

The instrumental role of social capital describes the benefits which come from membership within certain groups. Inspired by the classical works of Simmel, Portes and Sensenbrenner explain *reciprocity transactions* to be the mutual exchange of good deeds - such

as favors, information, and access. Distinct from value introjection, however, individuals expect the favor to be returned in the future. Hence, as Portes elaborates, a dimension of self-interest is still engrained in the exchanges (Portes, 1998). *Enforced trust* is similar to reciprocal transactions, according to Portes and Sensenbrenner, except that repayment is carried out by the community at large, rather than by individuals (1993). As a result, people seek to remain in good standing with a group.

Portes' *sources of social capital* depicts the gamut of socialized norms that shape the interactions and behavior between people. Hence, as is intended, the typology provides a framework by which decisions are made between persons. Nonetheless, Portes' *sources* do not necessarily distinguish particular types of relationships from one another, and hence, only provide limited insight to understanding the diversity and structure of relationships within a social network.

Bonding and Bridging The conceptual approach of *bonding and bridging* social capital, on the other hand, helps to distinguish between types of relationships. Coined first by Gittel and Vidal (1998), and then elaborated by Putnam (2000) and Woolcock and Narayan's (2002), recent scholars have utilized the broad approach of '*bonding and bridging*' social capital. *Bonding* social capital describes the connections between people in close, familial settings and between people with like characteristics. Such relationships are often the source of community identity and security. *Bridging* social capital, on the other hand, captures the connections which groups and individuals made with others outside their immediate circle or community. This expansion of connections is theorized to lead to increased access to opportunities and information that would not have been available within the immediate circle. It increases the diversity of information and

its various meanings. This diversity of meaning can then serve as the basis for innovation and unprecedented productions, creating a profitable market niche for entrepreneurs (Woolcock and Narayan, 2000).

Both bonding and bridging social capital are considered 'horizontal' forms of capital, referring to the interconnection of individuals within and across communities. (Woolcock, 2002). Moreover, Woolcock (2002) emphasizes an additional form of relationship which describes *vertical* integration in the form of "linkages." *Linkages* describe the necessary cohesion between communities and state institutions. All three of these conceptualizations – bonding, bridging, and linking - characterize the existence of social capital amongst both individuals and organizations, in the form of relationships expected to facilitate cooperation, information flow, and the management of vulnerabilities and poverty through expressions of civility, such as community associations and mobilized citizens. (Woolcock, 1998)

Upon identifying these different forms of relationships, Narayan (2002) explains how variations in the composition of relationships that exist at any given time for an economic actor influence their economic progress. Development takes place, Narayan (2002) explains, when a society transitions from possessing only bonding social capital - those connections among the immediate groups- to bridging social capital, where now the connections extend to other and different groups. According to Woolcock and Narayan (2002), different societies have different combinations of bridging and bonding social capital. These different combinations make way for different development outcomes. Furthermore, these combinations are dynamic, in that- depending upon the conditions- different arrangements of bridging and bonding capital may be ideal at different stages of a society's development.

Indeed one could argue that Portes' conceptual identification of the sources of social capital and the elaboration of bonding, bridging, and linking relationship types by Woolcock, Narayan, and Putnam are complimentary theoretical pieces of the broader social capital phenomenon. As one set of ideas highlights the embedded origins of the behaviors and expectations that guide relationships, another set of ideas illuminates how the resulting relationships are categorized spatially in reference to each other. In essence, the social capital definitions of Bourdieu, Coleman, and Putnam are in play.

Social Capital Perspectives Woolcock and Narayan (2000) synthesize prevailing views of social capital in the literature, which is inspired by the foundational scholars' perspectives. They neatly categorize the perspectives of social capital in economic development studies into four major views and explain their primary assumptions. The four views are *communitarian*, *networks*, *institutions*, and *synergy*.

The *communitarian* view – most resembling the dynamic of bonding relationships – focuses on the connections within primary groups and like individuals which is largely manifested in community organizations and volunteer associations. Scholars with this view assume that “social capital is inherently good, that more is better, and that its presence always has a positive effect on community welfare,” (Woolcock and Narayan, 2000, pp.229). Idealistically drawing upon only the positive attributes of dense and tight intra-community bonds, this view overlooks how such cohesion can also lead to the exclusion of members based on criteria such as ethnicity and gender, resulting in the unequal treatment and discrimination of persons. In this regard, social capital serves as a hindering force to economic development.

The *network view* builds upon the communitarian view, and extends its spatial scope to include both relationships within and between groups. Different relationships contribute different values ranging from a heightened sense of identity and security – as typical of relationships within groups - to access and exposure to broader interests and information – as experienced in relationships between groups. As stated by critiques of the communitarian view, one driving postulate within the network perspective is that the advantages drawn from close, community-based relationships are also countered by the disadvantages of a tight group belonging. For example, such relationships can also impose demands, obligations, and constraints upon an entrepreneur's choice that restricts their economic progress. Hence, network view asserts that social capital can have both positive and negative influences, where one's membership gives them access to resources while also constraining the progress. Resultantly, the tautological claims assumed in the communitarian view are further scrutinized (Woolcock and Narayan, 2000)

The network view, according to Woolcock and Narayan, fails to take into consideration the role of the broader institutional environment in furthering or constricting the potential gains of relationships. As a result, Woolcock and Narayan highlight the *institutional* view of social capital. In this regard, analyses take into account the political and legal systems that affect social interaction. In contrast to the other perspectives, the institutional view sees social capital as a product of sound legal and political institutions. The assumption in this view is the level at which society operates is a function of “the quality of formal institutions under which they reside,” (Woolcock and Narayan, 1998, p. 235). Ideally, the institutional perspective best analyzes studying the social capital and economic development from a macroeconomic angle, although, sometimes at the expense of a closer micro-level analysis. As an alternative by which to integrate

both the micro- and macro-levels of analysis, Woolcock and Narayan explain the *synergy* view, which combines the network and the institutional views. This view builds on the premise that effective development warrants the integration of different dimensions of society. Hence, the mobilization of stakeholders across both state and society can then determine the outcome of the development process. (Woolcock and Narayan, 2000).

Sociality, Sociability, and Social Embeddedness Providing again another conceptual approach, Dario Castiglione (2008), in the *Oxford Handbook of Social Capital*, organizes social capital research and literature into three major sub-concepts, theoretically in line with the aforementioned approaches: *sociality, sociability, and social embeddedness*. *Sociality* examines the norms generated through human interaction that guide and determine human behavior. *Sociability* refers to the means by which individuals decide their group affiliations and by which means they cultivate a sense of belonging. *Social embeddedness* describes integration into certain social structures which render certain benefits, whether they are given by fellow individuals in a group or the group at large.

Collectively, these various approaches provide a multidimensional theoretical outline of social capital, manifested in a multiplicity of concepts, all mutually reinforcing in some way, to highlight the norms, relationships, and institutions that shape society and inform economic development. Castiglione's simplified conceptual categories, for example, are given more depth by Portes' explanation of social capital sources and types. Moreover, the process by which these different forms combine and relate in both horizontal and vertical arrangements to generate various development outcomes is illustrated through Woolcock's and Narayan's 'bridging, bonding, and linking' ideals.

Bad Social Capital Scholars, however, are sure to identify the dimensions of social capital which do not produce fruitful outcomes, and actually can be used to further disintegrate or destroy a sense of cohesion and willingness to cooperate among actors. As lightly mentioned before, enhanced solidarity within a group could adversely result in a social structure which could exclude others deemed to be outsiders (Fukuyama, 2002). Furthermore, many groups of tight solidarity coexisting with the same social space could, in turn, cultivate a community atmosphere fraught with tension and division (Fukuyama, 2002). Mancur Olson goes on to explain that the multiplicity of strong and concentrated groups of varying interests cause conflict, instability, and ultimately, impede economic progress (1982, cited in Streeten, 2002).

Social capital can also serve as a resisting factor to new ideas and innovation (Fukuyama, 2002). Groups that view change as a threat to their relevance, gain, or identity can form a stronghold that counters changes in technology, distribution, or development at all cost. Such social capital can be based upon the criteria of religion, ethnicity, and gender. (Streeten, 2002)

Social capital, distinct from other forms of capital, maintains its value in the relationships of people and organizations. As Woolcock puts it, it is an ‘asset,’ with the economic building potential comparable to that of any other asset. Despite this similarity, social capital’s distinction lies in the domain of its origin (Woolcock, 2002). Distinct from physical capital – which can be located in one’s purse, and human capital, located in one’s mind, social capital stems from outside the individual, from the relationships that they cultivate (Narayan, 2002). Emphasizing embeddedness, social capital, according to Narayan, is the “norms and social relations embedded in the social structures of society that enable people to coordinate action and to achieve desired goals.” (Narayan, 2002, p.59). *Social embeddedness*, a core theory of economic sociology,

provides an intellectual home to the interaction between social capital and economic development.

2.1.4 The Notion of Social Embeddedness

In the early 1980s, an intense dichotomy existed between the disciplines of economics and sociology disciplines. Neo-liberal economics was the dominant language of the development discourse and boldly relegated certain dimensions of society to be studied either in the sociological or economic fields, but not both. Contrary to the classical trends of economic sociology embodied in the work of foundational scholars such as de Tocqueville, Weber, Marx, and Parsons, Durkheim, and Simmel, sociology's exclusion from the analysis of the economy emphasized the need to challenge the division. Emerging sociologists chose to be less peripheral, and more central to the analysis of some of the most pressing economic issues. (Swedberg, 2003)

Hence, economic sociology carried the approach of analyzing “economic actions, settings and processes within their social setting” (Zafrovski and Levine, 1997, p.1). Theorists view the market as a social construction, subject to the imagination, ruling values, and guiding behaviors of actors within a society. Hence ‘pure’ economic attributes are considered only as part of the total understanding of the market. Rational thought – the alleged driving force of the individual's decision making in contemporary society – is relative and works alongside irrational thought to create new economic meanings, interactions, and categories of economic life (Zafirovski and

Levine, 1997). People behave and make economic choices that are embedded in a society's driving conventions and perceived values (Dobbin, 2004).

Karl Polanyi (1944) presented this notion of Embeddedness in his influential work, *The Great Transformation*. As a political economist, he conveyed a thorough analysis of the market and its relationship to state and society as illustrated by the rise and fall of powers, mobilization of economic actors, and managing of social deterioration through the evolution of the world economy. Polanyi's key conclusion explains that a market which is not embedded in its social structure provokes social despair for the large proletariat class and broad-sweeping economic polarization. Capitalist societies emerge as the connection between markets and their social context deteriorates. Hence, he implied that as pre-capitalist economies were embedded in their social environment, capitalist economies are not. (Polanyi 1994; Swedberg 2003)

Mark Granovetter borrowed largely from Polanyi's theoretical ideas, but distinguished his argument from his theoretical predecessor with one very important detail. Granovetter argues that *all* economies are socially embedded, both pre- capitalist and capitalist - just some markets more so than others. Markets are distinguished based upon their 'weak' or 'strong' embedded positions. This analysis sparked the beginning of an intellectual revolution in the study of social dimensions of the economy, which he would coin the 'New Economic Sociology,' and of which the theory of *Embeddedness* remains at the core. Granovetter directed the shift of how the social dimensions of the economy were to be studied. (Granovetter, as cited in Swedberg, 2003)

Central to his *embeddedness* argument, Granovetter challenges one of the primary assumptions of neo-liberal economics- that individuals make choices independent of their relationships to one another. To the contrary, Granovetter argued that most behavior – including economic behavior – is embedded in interpersonal, social relationships. In other words, there are

no economic actions that are merely the product of pure economic interests alone. By virtue of one's interactions with their social relations, actions will always be informed by a degree of social interests as well (Swedberg, 2003). He argued against the over- and under-socialized assumptions of human behavior. Human behavior is not so tied to its social context so as to presume that it receives all cues from socialized behavior, nor does it function in isolation of the conventions formed by the context. Rather, economic behavior stems from a negotiation of the two. (Dobbin, 2004)

Granovetter's stance assisted in re-bridging the traditionally dichotomized sociology and economic disciplines. The argument was made that embeddedness in social relations influence their economic behavior. From providing disincentives to carrying out any fraudulent behavior; augmenting trust and accountability; or increasing vulnerability of close colleagues to the deceptive wiles of the other, economic behavior embedded in its social relations can bear both positive and negative consequences. As a result, social embeddedness can contribute to both a trustful or extremely fraudulent society, determined by the nature of the social structure itself. (Dobbin, 2004)

Embeddedness, Portes (1998) argues, remains a concept still in need of theoretical clarity, however. Although it provides a basis from which to challenge and question fundamental assumptions of neoliberal economics, he explains, it provides little evidence by which to offer alternative suggestions of organizing economic life. The exactness desired in the formation of this theory, Portes implies, can be drawn from a keener understanding of social capital and its sources and application. Drawing from the empirical context of the economic development of immigrant communities, Portes uses this backdrop to illustrate the effects of

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social relations upon economic choice and to better form the theory in detail. (Portes, 1998, p.1321)

In addition to being vague, the concept of social capital bears a fair amount of other criticisms. The broadness of its definition as presented by earlier scholars left little theoretical precision for emerging researchers to build upon. The definitions and measurements of social capital remain blurry as social capital is commonly conceptualized for what it does rather than what it actually is. In turn much emphasis has been placed on this drawback, asserting that the reverse- defining social capital for what it is- should be the focused efforts of social researchers (Edward and Foley, 1997). In the midst of sorting out this definition, the multiplicity of social capital's conceptualizations are examined as scholars seek a concept that will balance the macro-institutional and micro-community aspects of the term (Woolcock, 2002).

A theoretical review of the literature has presented the angles of social capital theory. For this study in particular, social capital more specifically refers to set of relationships that constitute a person's social network. Hence, this point of the review will take a more specified direction towards a deeper discussion of the theoretical and empirical studies surrounding the *network* view of social capital, and its applications to entrepreneurial studies.

2.2 ENTREPRENEURIAL SOCIAL NETWORKS

Social embeddedness examines the value of networks to the production capacity of individuals and organizations (Portes and Sensenbrenner, 1993; Portes,1998). Studies examining how the

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local economy, as measured by local small entrepreneurs, are embedded in their social networks, as measured by their relationships, offer a unique analysis of economic development and a more nuanced understanding of social embeddedness (Davern, 1997). The prevailing hypothesis of the effect of social networks on entrepreneurs' progress is that entrepreneurs – as social actors themselves – embed themselves within and drawing support from a diverse and vast social network (Licht et al, 2006; Aldrich and Zimmer 1986).

Network studies particularly examine “the structure of the relations between social actors and how patterns in those relations influence a variety of outcomes,” (Stuart and Sorenson, 2003, p. 233). Hence, also referred to as a structural analysis, network studies assist in unveiling the restrictions and opportunities that an actor inherits as a result of the relationships they are embedded within and their position within these relationships (Garcia 2006). The concept of social networks applies the metaphor of nodes and connections to a sociological analysis. Nodes and ties refer to the actors – either individuals or organizations- and the connections between them respectively. When conveyed in visual form, the image provides a conceptual diagram of the intersections and distances between entities and implications of their estimated value towards each other. Social networks can serve as a powerful visual tool by which to analyze social structure. (Davern , 1997)

The literature reveals that particular phases of establishing a business and specific features of networks are important variables in assessing the influence of a social structure on entrepreneurial development. Stuart and Sorensen (2005) emphasize how investigations of the economic contributions of networks focus more on the ‘opportunity identification’ or ‘resource mobilization’ phases of establishing a small firm. These two research streams have been the source of several other angles of entrepreneurial network research. Moreover, across the

literature, particular features of networks are highlighted to serve as factors which both facilitate access to information, ideas, and resources as well as manage the resulting structural changes in response to small firm changes (Hoang and Antoncic, 2003). Specifically, such features- as identified by Hoang and Antoncic (2003) in their review of network-based research in entrepreneurship – include the content of networks; the governance of networks; and the structure of networks.

Similarly, reviews of network research highlight different network forms, conditions, and qualities which are important in the economic process. The following section will offer a general overview of the features of networks which are emphasized in social network research, and how the research is organized across the literature. Furthermore, special attention will be given to the network feature of diversity, its conceptualization, and its application in the entrepreneurial network literature. Contributions of Davern (1997), Kristiasen (2004), and Smith-Doerr and Powell (2005) will be described.

2.2.1 Emphasized Features of Entrepreneurial Social Networks in the Literature

Davern (1997) characterizes four basic components of social networks as commonly studies features across the literature: *structural*, *resource*, *normative*, and *dynamic*. The *structural* component refers to the position of ties between actors, largely determined by the ties' strength and relative power or value within the network. As mentioned before, visual tracings present the different shapes of varying social networks, suggesting implications for development. The *resource* component focuses upon the resources that can be accessed from other actors as a result

of being part of the network. It pays special attention to the ‘nodes’ – or actors in the network - highlighting their particular attributes and the product of their integration. The *normative* component examines “the norms, regulatory rules, and effective sanctions” within a network that guide the behaviors of actors (Davern, 1997, p. 291). Such norms can define roles of various actors as well as provoke or stifle change. Fourthly, the *dynamic* component of networks takes into account how networks change over time as conditions change and as relationships fade or are replaced. Most studies, Davern asserts, maintain a combination of more than one approach. Resultantly, Davern’s classification of network features aligns with the findings of Hoang and Antoncic (2003) and the social capital conceptualizations of Bourdieu, Coleman, and Putnam.

Conditions upon which networks are formed are also particular features of social structures that have proven to be salient factors in the analysis of local economic development. Smith-Doerr and Powell (2005) highlight these conditions and conclude that networks are formed based on different conditions. For example, the existence of a common task which all actors contribute to accomplishing - such as a project - can serve as the basis upon which relationships are formed. This *project-based network* is common in craft-based industries and is often informally tangled in friendships and kinships. The solidness of these ties, however, differs from the relationships of an *information-oriented network*. Built primarily for the information benefits of the members, these partnerships value technological insight and business innovation as the end product. As a result, relationships are much more formal and strategic than project-based relationships. Distinct from these conditions, *regional agglomeration networks* of actors are concentrated within a common space. This environment cultivates an ‘industrial atmosphere,’ as many small firms work cooperatively and independently at the same time (Smith-Doerr and Powell, 2005).

Kristiasen (2004) further embellishes upon the structural approach to networks and identifies qualities across the literature which characterizes networks structure specifically, and in turn, their ability to transfer resources. An underlying assumption persists that a change in the arrangement -or type -of actors will influence the relationships, and hence, the resources exchanged or distributed. The variability of these structural characteristics is presumed to contribute to different outcomes of economic development.

One structural characteristic is *the number of relations* within it. Kristiasen emphasizes that network studies tend to make the case that the larger an actor's network is in terms of contacts, the more benefits the actor will gain.

On the other hand, studies which focus on the *strength of the relationships* examine the nature, rather than the number, of the relationships involved in a network. Examples of measuring strength are the closeness and frequency of communication between actors. Granovetter's *The Strength of Weak Ties* (1973) illumined the power of relational strength in the transfer of information and contributions to individuals economic advancement. He argues that weak ties diffuse and diversify information more effectively than strong ties in an individual's network. *Weak ties* are less personal contacts which integrate a community or person into the broader society. *Strong ties*, on the other hand, are those intimate connections which solidify group social cohesion, identity, and sense of belonging. Weak ties are pulled from a variety of circles, Granovetter argues, and can offer a diverse array of information in a cost efficient manner more so than strong ties cannot. Strong ties are more likely to share the same information, and hence offer little new ideas or insight to each other. In his empirical research of people seeking employment, he found that most people landed jobs via their weak ties than strong ties. Brian's Uzzi (1997) study of New York garment manufacturers builds upon

Granovetter's theory, finding that those businesses that performed the best possessed a fair balance of strong ties from their close circles and weak ties for which they had short-term contracts.

Kristiansen (2004) identifies the *dynamics of networks* as a major quality of network structures consistently studied. Scholars seek to understand how the evolving and flexible structure of networks position actors to access new knowledge and ideas. Empirically, Granovetter (1995) illustrates this interaction, explaining how small businesses, in the early stages of their existence, would gather resources from their immediate family. These familial relationships assist in providing credit, insurance, and general support. These resources served as the basis of their growth, whereas overtime, as they expanded, the businesses then connected with contacts further out in the community. Eventually this would facilitate the mainstreaming of their business.

2.2.2 Diversity of Entrepreneurial Social Networks

The entrepreneurial literature offers an extensive array of investigations which readily measure or define networks according to the aforementioned criteria. The diversity of networks, nonetheless, remains a small – although growing- intellectual terrain – especially in relation to small businesses and economic actors.

The *diversity of networks*, Kristiasen (2004) explains, looks at the nature of the relationship and the identity of the other actors with whom relationships are being formed. Presumably, depending on the variety of individuals or organizations with whom an actor is

connected, these relationships afford the actor access to different types of information, opportunities, and various other benefits. One of the most prevailing contributions in this regard is that of Ronald Burt (1992), as he expounds upon this idea with his theory of *Structural Holes*. A structural theorist, Burt examines how gaps between ‘nonredundant contacts’ - or entities from different circles who are privy to different sorts of information – add irreplaceable value to one’s network. These gaps, or structural holes, represent worthy opportunities of entrepreneurial advantage to the person who can bridge these separated contacts or groups together. In bridging these different groups, the individual occupies the controlling position to fuse diverse ideas together, provoking unprecedented innovation from which all parties will benefit. Burt (1992) drew this theory from the empirical analysis of managers in private firms, concluding that those who had access to diverse networks and actively bridged them together were more likely to be promoted than those who did not. More recent studies confirm his findings, illustrating that the heterogeneity of actors within corporate research and development teams – in terms of relationships ‘cutting across salient demographic boundaries,’ – positively contributes to the increased learning capability of the team (Reagans and Zuckerman, 2001, pp.502). Such findings disprove criticisms of diverse teams’ productivity, which adversely argue that increased diversity is associated with decreased relational strength between members, and in turn, hampers their ability to work together.

Networks provide people with access, connecting them to circles and groups from which they can source prized information and resources (Ronald Burt, 1992). Such access provides people, specifically entrepreneurs in this case, with an advantage over others, linking them to advantageous opportunities. Networks facilitate referrals of the entrepreneur, allowing them to cultivate more ties beyond their familial circle.

2.3 EMPIRICAL ENTREPRENEURIAL NETWORK STUDIES IN VARIOUS GLOBAL REGIONS

Studies featuring social networks and their influence on entrepreneurial development are conducted within cultural and regional contexts all over the world. Many of the studies are regionally concentrated in Europe and Asia. Garcia's (2006) close look at the relationships between economic actors, for instance, helps to explain the variation of development and growth in two regions of Spain. Employing a spatial and time comparative relational analysis, she argues that in order to further their economic development, regions are more inclined to diversify the relationships constituting their production structure. Hence, more developed regions possess a more complex and specialized network system between firms than less developed regions. Moreover, this heightened level of development then also provokes the forming of more relationships. Although insightful, Garcia's scope of entrepreneurial size did not include small firms – as measured by employees. Most firms interviewed were large corporations, employing hundreds of people and representing a conglomerate of multiple firm branches located throughout the region. Hence, the small entrepreneur's experience, distinct in their access to power and resources, and their vulnerabilities to global pressures, are not included in her analysis.

Greve and Salaff (2003) examine the variations of network structure for small entrepreneurs over time and culture, concluding that networks do vary by phase of development,

although patterns are similar across the four selected countries of Norway, Sweden, Italy, and the United States. Hence, the authors contribute to the network literature that investigates the influence of culture on network variation. In this study, however, networks are measured by the number of contacts to whom entrepreneurs communicate their business. The simplicity of this measurement is useful, although limited in the information it offers about the distinct character of entities and diversity of relationships within the network.

Klyver et al (2008) similarly explore the relationship between culture and entrepreneurial phase and the entrepreneurial value of networking with a larger sample of 20 European countries. They maintain similar findings that network influence changes over the course of subsequent entrepreneurial phases. In contrast to the aforementioned scholars, however, their findings reveal that culture does indeed influence the impact of networking. Interestingly, however, similar patterns of networking persist between groups of countries at a time. Klyver et al (2008) then emphasize that no universal trend of entrepreneurial networking exists across countries, alongside the finding that not all cultures have their own distinct networking style as well. Again, although useful, the analysis does not elaborate upon relationship types or specific values of these relationships. In turn, understanding of the network diversity is limited.

Spencer et al (2003) take a different turn in their research, seeking to understand whether or not the contributions of social networks to entrepreneurs' progress differ by sector. In a comparative analysis of entrepreneurial communities in Germany and the United States, Spencer et al (2003) confirm that the manner in which businesses utilize the social structure in which they are embedded is a function of whether they belong to the business service- oriented, customer service- oriented, or manufacturing sectors. Prevailing themes emerging from the data that hold potential utility in forming measurements of social capital are formal engagement; networking

within sectors; networking across sectors; volunteerism; and giving to charity. The differentiation of prominent social capital themes across different sectors is pertinent in understanding how contrasting institutional environments place different constraints and facilitate different opportunities for business of different industrial groupings.

Yli-Renko et al (2001) adopted a resource approach, focusing not so much on how networks vary structurally as much as which specific resources can be drawn from them. The study confirms that network ties – as one measure of social capital used by small technological firms in the United Kingdom – does lead to increased knowledge acquisition.

Thus far, studies have highlighted how characteristics of the context (i.e. culture) or characteristics of the firm (i.e. sector; entrepreneurial phase) are contributing factors to how networks are structured and utilized. Moreover, the regional context for many entrepreneurial network studies is Europe. The Asian economy also provides a landscape for empirical research on the use of social networks by small businesses. The comparison and contrast between Asian and European studies suggest prevailing themes of commonality and distinction, raising questions for the African context.

Entrepreneurial network studies within the Asian context, on the other hand, broadly bring attention to the diversity of relationships utilized by small firms and their value to the small firm development process. Luo (1997) illustrates, for example, that Taiwanese small and medium size firms are supported by family ties – which aid significantly in setting up the business. Subsequently, they consult subcontracting ties, which enable a small firm to enter the market even when their initial investment is low. Taiwanese medium and small firms, Chen (2009) further elaborates, utilize a variety of social network forms to adequately adapt

production and organization structure in ways that best respond to the changes in the global economy (Chen, 2009).

Yeung (1997) shows – in his study of young technological firms in Hong Kong – that the process of operating in other markets beyond their local economy is subject to the nature of their social relationships. Yeung (1997) probably most directly offers a framework of network diversity, identifying three relationship types which loosely align with the conceptualization of bonding, bridging, and linking relationships referred to earlier. These relationships offer distinct contributions to the entrepreneurial process. *Extrafirm* relationships held with government-affiliated individuals and entities introduce these small firms to new markets in South East Asia. *Interfirm* relationships refer to personal and business connections, which assist the firm in establishing their business. *Intrafirm* relations represent personal trust and experience which guides the coordination of their transnational activity.

Moreover, Yeung's study highlights the expanding phenomenon of the internationalization of small firms that is increasingly becoming a targeted analytical focal point for the examination of network structure – and in some cases – diversity. From their sample of Japanese firms, Lu and Beamish (2001) acknowledge that social networks assist small firms seeking to expand their operations internationally by facilitating alliance building with partners of local knowledge. In this regard, such relationships help to decrease the deficiency of these small size firms to break into new markets.

Zhou et al (2007) further elaborate upon the investigation of social networks and internationalization, establishing the claim that a small firm's home-based network is the mediating variable between their establishment of international operations and their subsequent firm performance. They argue that three primary benefits drawn from social networks –

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knowledge of foreign markets; advice and experiential learning; and referral trust and solidarity. These benefits help to ensure that small business, which are unfolding global ventures, are successful and sustainable.

Social network research of entrepreneurial development in developed nations is an expanding literature where the social position of a business establishment is examined in its affects and contributions to its productivity and sustainability. As illustrated, the empirical insight drawn from expanding studies conducted in regions all over the world – particularly in Europe and Asia – emphasizes the structure, composition, and contributions of social relationships within different contexts. Evidently, dimensions of the broader context, qualities of firms, and characteristics of networks are variables which dynamically influence one another.

Within the African context, the research is limited but growing. The dialogue concerning the development of local African communities is a dynamic discussion, within which new studies are emerging from which to source knowledge about the social analysis of local African economic development. Hence, the literature review turns to survey empirical studies of social networks and entrepreneurial development within an African context, and the need for more research to be done.

2.4 EMPIRICAL ENTREPRENEURIAL NETWORK STUDIES IN AFRICA

Naude and Havenga (2005), in their overview of African research on entrepreneurship, emphasize the need for increased investigation into the role of social capital to augment the

viability of small scale African businesses. In their literature review, social capital primarily refers to networks and clusters. Such social structures reduce transaction cost and decrease risk for small African firms. Additionally, Naude and Havenga mention, these connections can provide small businesses with the technology, infrastructure, and contacts by which to break into a mainstream, and even international, economy. These two streams of research – industrial clusters and the effectiveness of entrepreneurial networks – warrant more research.

One of the most cited works on African entrepreneurship and social networks would be Abigail Barr's (1995) study of social network diversity and economic performance in the Ghanaian manufacturing industry. Quantitative data was drawn from a sample of entrepreneurs regarding their relationships with nine categories of contacts. Six of the contact-types referred to other types of business people in terms of size, sector, regional location, and origin. The remaining three inquired about relationships with the banking sector and government. Entrepreneurs were asked questions such as the frequency of their communication with such contacts, the value of the relationship to their business, and the time and place of their acquaintance. As data was collected across small and large firms, capital and labor intensive, and native and non-native firms, the study afforded Barr the ability to derive a structure of the manufacturing community of Ghana. (Barr, 1995)

Barr's (2002) study provides empirical evidence to support the hypothesis that networks among entrepreneurs enable a flow of information and knowledge. In turn, such knowledge increases entrepreneur's capacity and their economic performance. To add, entrepreneurs also benefit from the networking activity of the contacts in their network. Barr is able to confidently conclude that social capital in the form of networks plays a vital role in the economic viability of African entrepreneurs.

Most notably, however, Barr's work is known for her distinctions in different network structures, and how these differences affect entrepreneurial performance. In this expansion of her work, the delineation between *innovation networks* and *solidarity networks* are made. The function of the innovation network is to increase a firm's economic performance. With this aim, it facilitates the flow of information about world markets, latest technology, and global trends. In contrast, a solidarity network aims primarily to reduce the uncertainty and risk that firms face in an unpredictable market. Hence, the information that flows through this network focuses more on members' behavior and prevailing conditions within the network, rather than knowledge about outside environments. Whereas the former contributes significantly to enterprise performance, the latter does not. Barr then further explains that consequently, *larger firms*, which are more diverse in their production and global scope, develop innovative networks. *Smaller firms*, who have similar production meant primarily for local markets occupy solidarity networks. Innovative networks are apt to cultivate little interaction among the firms and are most likely well connected with formal institutions. Solidarity networks, on the other hand, foster high levels of interaction among members, forming informal institutions in place of the formal ones to which there is limited access. Ultimately, Barr asserts that small firms have "less to gain and more to lose by maintaining large, diverse networks," whereas large firms would gain more from maintaining these large networks. (Barr, 2002, p.100)

In their quantitative study of social networks and the economic performance of Agricultural traders of Madagascar, Fafchamps and Minten (2002) find a positive relationship between the two variables. In their analysis, they identify three levels of social relationships as part of the network: relationships with traders, relationships with potential traders, and thirdly, relationships with the family. They conclude that the first two contribute to the increase of

productivity of firms, while the family relationships do not (although exceptions may be made for the early start-up stage of the firm). Ultimately, these networks cultivate a trust between members that promotes the exchange of credit and price information, as well as the reduction of transaction cost.

Kate Meagher (2006), in contrast to Barr and Fafchamps and Minten, questions the economic utility of social networks and analyzes networks within the backdrop of economic liberalization, social fragmentation, and the interplay of identity politics in eastern Nigeria. She seeks to understand why social networks have not successfully fostered economic growth as theory suggests among informal manufacturers. Resembling a “synergistic” approach to social capital analysis – as described by Woolcock and Narayan (1998) - Meagher (2006) integrates the broader political institutions and their interactions with the international economic shift of globalization. She examines not only the dynamic that network themselves create, but also how that dynamic is determined by the broader international pressures. She ultimately concludes that the failure of social networks is attributable to liberal economic expansion and the failure of the state to buffer liberalization’s disintegrating pressures. The disintegration of this network retards growth, increasing the likelihood of uncertainty in economic trends. As people must deal with this uncertainty, they become more opportunistic; engaging in malfeasant activity which impairs development intended to benefit the collective.

McDade and Spring (2005), however, choose to focus on a ‘new generation’ of African entrepreneurs and the formation of their continental, and in some cases – global - networks. Moving away from the subject of small entrepreneurs from the informal or highly vulnerable local sector, McDade and Spring focus upon young African men and women who have acquired international exposure from studying and working in other countries. With advanced education,

they seek to establish businesses that are internationally competitive and use the latest technology to produce cutting-edge innovation, contrasting Barr's perception of the 'small businesses in her study. With a continental and global network, they seek to expand business opportunities beyond their local communities. This group of entrepreneurs redefines the newer picture of the African market. These 'cross-national networks' are noted to contribute positively to African economic growth.

Recent empirical research draws gender into the analysis, illustrating the distinction between social structure depending upon whether the business is owned by a man or woman. Kuada's (2009) study on female entrepreneurs in Ghana revealed women's reliance on social relationship to access needed inputs and resources. Because most women entrepreneurs struggle to secure service from formal institutions, their relationships became the source of money as well as moral and emotional support.

A comparative analysis of women and male entrepreneurs in Tanzania by Rutashobya et al (2009) confirmed that both maintain diverse networks; nonetheless the compositions of the networks differ. Applying Granovetter's distinction of strong and weak ties, Rutashobya et al (2009) illustrates that women entrepreneurs are more likely to have more strong ties – in the form of family members – within their social networks than their male counterparts. On the other hand, there was no difference in the composition of weak ties across gender.

Empirical research within South Africa specifically offers more insight to the social network literature concerning African economic development. Pingle's (2001) findings from a qualitative study of small entrepreneurs' membership in civil society associations confirm the broader hypothesis that associational relationships contribute positively to entrepreneurial development. Positive returns from membership are largely contingent upon the development of

trust between actors, with some membership more beneficial than others. Furthermore, the trust that is developed with a group is a resource that is not necessarily transferable to be of use in other domains of life. Pingle argues that the *identity landscape* of entrepreneurs, their personal background and interpretation of life, informs how they chose which associations to join and who to trust. Implications of her study emphasize the need to study social networks within a specific social and cultural context, and to understand these underlying reasons behind the formation of social capital.

Mitchell Bruce (2003) sheds light on the formation of social networks across ethnicities in Durban, South Africa. Data collected from 325 small entrepreneurs reveal that European and Indian entrepreneurs' networks tend to be larger than those of African entrepreneurs, taking into account the different constraints faced by different ethnic entrepreneurs. Additionally, such networks take less time to develop. Such entrepreneurs benefit from the diverse sources of finance and information that these broader networks provide.

Bakker et al (2008) examines the impact of social networks across a domestic and international domain. Quantitative analysis of the innovation of South African firms in the manufacturing and service industries suggested that relationships for innovation contribute positively to a company's innovation. Furthermore, this is the case if the partner is an international entity. On the other hand, findings suggest that if the networks are too diverse or comprised of too many international partners, this could hurt a company's innovative abilities.

Scholarship of social networks and African entrepreneurship is gradually expanding as more researchers choose to analyze local economies through a closer examination of non-economic factors. Nonetheless, there is still much more research to be done, guided by a variety of methodologies, relaxed assumptions, and new questions to fill the gaps in the research. Few

qualitative studies exist in social network research, particularly on the structural characteristic of the *diversity* of networks and with a focus on small businesses. The small African entrepreneur's network is known little in its composition and the possible variety of bonding, bridging, and linking relationships that it may withhold. The broad assumption holds that small entrepreneurs remain largely peripheral to the dense networks at the center of high-pace economic activity and innovation. More qualitative studies are needed to examine these networks in more detail. Furthermore, few studies approach the field from a grounded theoretical approach by which to derive concepts from the data directly. How do small African entrepreneurs perceive the progress of their own firm and how do they discern a network's value to that progress? Do positive financial returns and high-volume production depict the picture of good performance for which all entrepreneurs are applying their social networks? Or are networks accessed for other ends perceived also to be vital to economic development? Moreover, few studies take into account the transformative nature of social networks as the small entrepreneur also evolves. Does the diversity of contacts within an entrepreneur's social structure remain the same as they encounter shifts in demand, competition, and other dynamics of the market?

This current study hopes to fill some of these gaps in the literature, and will be explained in further detail in the following chapters of methodology and data analysis.

3.0 METHODOLOGY

The methodology of this study takes a qualitative perspective and draws from the approach of grounded theory. The study seeks to understanding how small entrepreneurs perceive the structure and value of social networks surrounding entrepreneurial life in Johannesburg, South Africa.

3.1 THE METHODOLOGICAL CHOICE OF GROUNDED THEORY

Several reasons can be noted as to why a qualitative approach was chosen. Few studies have been conducted to capture the nature and nuances of entrepreneurial relationships within South Africa as well as other African countries, including entrepreneurs' perspectives of these relationships. Local economic development as situated in a particular cultural, historical, and institutional context operates within very complex conditions, which to some degree, is yet to be solidly conceptualized as conditions affecting local social structure changes. Hence, this is the case with local entrepreneurs in South Africa and the dynamics of their social relationship in reference to their idea of progress. Before postulations can be tested and validated so as to explain the social structure surrounding small economic actors, the hypotheses must be formed

first. A qualitative approach was employed in this study to explore these interactions between entrepreneurs and their surrounding relationships, and to derive concepts which can serve as the building block for theory in the future.

Grounded theory analysis, like most qualitative analyses – guides the investigator towards identifying broader more abstract themes from the raw data. Grounded theory analysis, however, takes the process a step further in attempting to derive theoretical relationships between concepts, which in essence, narrates an explicatory story of the phenomenon at hand. Secondly, grounded theory analysis seeks to develop rich and dense concepts by identifying their properties and then the dimensions of those properties. Such concepts can entail layers of cultural identity, affiliations of faith, personal vision, and commitment to community and family. An investigation set on dissecting the role of social interaction in relation to economic change cannot afford to glaze over such intangible and yet pervasive factors. Furthermore, few studies focus on the composition of local social structure and its market significance within the context of the local African, and in this case, southern African, community. As Naude and Havenga (2006) explain, entrepreneurial networks as an analytical expression of social capital in economic development are a porous field for which there is much opportunity for more research. For a phenomenon for which there is so much more to learn, a qualitative analysis is appropriate at this phase of deriving initial concepts, relationships between them, and possible questions and hypotheses to form the foundation of future, more extensive studies. It is this particularity of the study that elects a qualitative approach – and specifically, grounded theory - as the best choice.

Moreover, the formal small business operates in ways distinct from the informal sector or mega-corporations, of which many economic studies in Africa focus. Coming from an era of institutionalized exclusion and depravity, South Africa's black African formal entrepreneurial

community is a newly mobilized group. Although black entrepreneurship is not foreign to the socio-economic landscape of the nation, black entrepreneurship of post-apartheid South Africa is. Considering these shifting, complex dimensions of a dynamic globalizing African economy, existing theoretical frameworks simplistically capture the interplay of so many aspects. Hence *grounded theory*, more specifically, as the chosen methodological approach, describes a process through which conceptual relationships, which constitute the building blocks of theory-building, emerge directly from the data. Grounded theory moves away from the conventional deductive process of hypothesis-testing analyses, and assumes a more inductive entrance into the research process. Hence, in this regard, the researcher begins with none, or very little, of an existing theory of the phenomenon to be studied. Rather concepts are being derived and connected to one another in order to offer the researcher analytical and creative freedom to consider alternative meanings of data. The end of the process marks the beginning of a new phase of research, for which quantitative methods can be used to test the hypotheses with theory-building potential. (Strauss and Corbin, 1990; Speziale and Carpenter, 2003; Glaser and Strauss, 2007)

3.2 THE RESEARCH CONTEXT

3.2.1 Political Economic Context

Gauteng Province was selected as the context of the research due to its high rate of entrepreneurial activity – compared to other provinces – and because of its known status as the commercial region in South Africa (Herrington et al, 2008). The region – as well as South Africa

as a whole – was full of intense political energy upon the arrival of the researcher in June of 2008. Johannesburg, the bustling urban metropolis, and Pretoria, the quieter city of government control to the north, encountered society-shaking events that would vividly color the context of this research.

The politico-social atmosphere during the months of June to August, 2008, within which the study was conducted, was charged with the local incidents of ethnic violence, national political controversy, and international economic decline alongside regional instability from Zimbabwe along the northern border of South Africa, and excitement over South Africa's hosting of the World Cup in 2010. The researcher stepped foot in South Africa a week after the xenophobic attacks in the Johannesburg townships such as Alexandria, and other surrounding areas such as Mpumalanga. The incident of brutal harassment and killing of families from other African nations who had settled in South Africa by South African youth rattled the local Johannesburg metropolis and nearby Pretoria. In the early months of June, the nation was in a process of damage control, leading non-violent campaigns, running television commercials celebrating South African unity and diversity, and posting billboards reemphasizing South Africa's value of tolerance. Numerous arguments were posed to explain the attacks, one of which focused upon the disparity of development between black-South African owned and foreign African-owned small businesses (Jekwa, 2008). Amidst the accusations from South African labor that immigrants stole jobs from the native South African population, reports showed that most formal employment is given to native black South Africans (Jekwa, 2008). With limited opportunities, legal and illegal African immigrants accepted working below minimum wage or resorted to starting their own businesses. Such entrepreneurial ventures would thrive relative to that of their South African counterparts despite no public assistance and

minimal bank loans. The weak entrepreneurial attitude among South Africans was attributable for the stunted growth of small South African firms and rising tension with other Africans who are successful in these attempts for survival (Jekwa, 2008). Resentment would also increase as African foreigners would willingly work for wages below minimum wage compared to their South African counterparts who are less willing to work for the small amount (Lund, 2008). It is inconclusive as to how the attacks affect the global perception and investment possibilities of South Africa (Lund, 2008).

The stir surrounding the xenophobic attacks added to the on-going debates concerning the pending South African national elections. Division between the Mbeki and Zuma camps within the same African National Congress (ANC) – the leading political party of South Africa - had intensified. Controversy surrounded the opposing policy directions of Mbeki's economic liberalization, which was heavily countered by organized labor who Zuma pledged to support with his populist leanings. Tension between camps would rise as language voiced by supporters resonated willingness to mute anti-Zuma critics through alleged violence (Hosken, *Pretoria News*, June 18th 2008).

Local controversy was aggravated by the international scene of global price hikes in oil and food. The increase of prices significantly contributed to a financial squeeze on the income of people throughout South Africa. A national slow down of economic growth coupled with rising inflation, a condition also known as stagflation, created a constrictive financial environment for economic actors, including entrepreneurs (Steyn, 2008). Moreover, within the southern African region, contest for political leadership in Zimbabwe would further challenge South Africa's diplomatic abilities to negotiate fair elections as the leading political body in the southern

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African region. Violence against civilians would prompt fleeing Zimbabweans to cross South African borders in droves, further complicating local social stability (SAPA-AP, 2008).

Contrary to the assertions of a lazy entrepreneurial spirit among South Africans, however, a young generation of South African businessmen and women is currently emerging to establish their own independence through the materialization of their businesses. In the midst of the highly-stimulated society of South Africa, one organizational body has committed to mentor small entrepreneurs in through their beginning development phases. This organization is called The Business Place.

3.2.2 The Business Place – Community Partner and Interview Site

The Business Place served as the center of engagement and coordination with entrepreneurs of the Johannesburg area for this research. The Business Place is a nationwide network of small business development organizations. Steering away from the bureaucratic structure of many government-sponsored agencies which stifle their effectiveness, The Business Place prides itself on its commitment to “streamline and coordinate the various players in the SME space to support entrepreneurship effectively” (quote of Martin Feinstein, Managing Director, Jekwa 62). The organization strives to be most progressive with its strategic and innovation formation of new services and systems which empower the small entrepreneur (The Business Place Program and Strategic Overview, 2008). The Business Place assists small businesses by providing them the first critical steps in developing a business through information workshops, training, and branding and capacity building services. Many of these services are distributed through a

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voucher system, subsidized services offered upon application and selection, which provide services ranging from web-site building to management skills. The Business Place serves as a hub of information, where entrepreneurs can come and utilize its free internet services. There are eight branches of The Business Place, where the Johannesburg branch serves as the headquarters and was founded in July of 2003 (The Business Place Program and Strategic Overview, 2008).

The Business Place is noted to serve more than 5000 entrepreneurs every month (Jekwa, 2008). The Johannesburg offices services most of the entrepreneurs, averaging 2100 visits a month. A significant 83% of these entrepreneurs are under the age of 35, indicating a prominent sense of entrepreneurship amongst the rising generation of youth and young adults. 35% of the entrepreneurs who visit the Johannesburg office are female, suggesting the that the current sweep of entrepreneurship is dominated by young South African men. An impact report was conducted in 2005 of which 247 entrepreneurs participated. Of this sample, 79% expressed that The Business Place was ‘friendly, accessible, and helpful.’ From the sample, 30 new businesses were started and 103 were assisted in one way or the other. These small businesses were noted to create 311 full- time jobs and 159 part-time jobs (The Business Place Program and Strategic Overview, 2008).

Most one-on-one interviews for this study took place on the 1st Floor of The Business Place Center in downtown Johannesburg in the café area because it was a central location for both the investigator and entrepreneur to easily locate and conduct their conversation. Limited resources and limited knowledge of the Johannesburg area restricted the investigator’s mobility. Limited availability restricted the mobility of the entrepreneurs. Hence, The Business Place served as a central meeting space which was easy to access by both parties. Comfortable seating in both the form of couches and tables provided options for conversational environments.

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Snacks, meals, and warm and cold beverages were sold throughout the day until closing time at 4:00p.m. The café itself, also an independent small business, were managed by a man and woman who would ask guests to sign into a roster on a daily basis. Several Business Place meetings and casual networking would take place within the café. When possible, however, the investigator and entrepreneur would meet at the latter's place of business.

3.3 RESEARCH PARTICIPANTS

The Business Place staff willingly assisted the investigator in identifying and accessing participants for the study. Initially, a written request was electronically sent to the site director at the Soweto branch to access the contact listings of entrepreneurs within the Johannesburg townships. Upon referral to the main headquarters in Johannesburg Central Business District (CBD), a meeting with the manager, program coordinator, and investigator garnered an agreement for the partnership.

The original request made to The Business Place – reflecting the initial intention of the study- was to access clothing entrepreneurs in the surrounding townships of Johannesburg so as to explore network diversity variation within a single, manufacturing-oriented, and import-sensitive industry. Entrepreneurs on the Opportunity Exchange Database (OpEx) were contacted. The OpEX database consists of over 2000 small businesses seeking government assistance by which to be better prepared for opportunities offered by the public and private sector (www.thebusinessplace.co.za). Entrepreneurs on the database are from a variety of industries.

The Business Place staff contacted entrepreneurs, primarily- although not exclusively- from the clothing sector, after which a list was made of entrepreneurs who responded affirmatively to the invitation. The list was then given to the investigator to continue correspondence and plan appointments for interviews. Additionally, the investigator also drew from the business listing of fashion designers participating in the Johannesburg Fashion Week shows available online, in that, at the time, as aforementioned, clothing entrepreneurship was the primary focus. Finally, the snowballing mechanism was applied periodically by which to access additional entrepreneurs beyond the scope of the listings for interviews. In total 30 small entrepreneurs were interviewed. The characteristics of the entrepreneurial group are further explained below.

3.3.1 Employee Structure

Participants who were asked to participate in the study were formal businesses, as in legally registered firms, that employed no more than ten employees. 47% (14 of the 30) small businesses selected to be part of the study hired anywhere from 1 to 10 full-time employees. On average, firms who hired any full-time employees employed two staff members on average, with a mode of two staff members. Two instances of part-time employment were brought to the fore, where two entrepreneurs hired four or three part-time staff respectively. These employees maintained freelance arrangements with the entrepreneurs, whereas they would work on a project-basis. In several cases, entrepreneurs noted they had business partners who served an integral role in the decision-making and vision of the business. 30%, or 9 out of 30 entrepreneurs interviewed mentioned at least one partner other than themselves who shared the leadership of the business

operations. On average, entrepreneurs possessed two business partners. The mode was one business partner, with a few instances of 2-4 business partners.

3.3.2 Industries

Entrepreneurs were sourced from a variety of industries. Most, due to the initial request and focus on the clothing manufacturing industry - were from the clothing sector. The unexpected industrial diversity of entrepreneurial participants interviewed, however, provided a new direction for the study, including a subtle network comparison between small firms of different sectors (i.e. manufacturing versus services), as the subsequent data analysis will convey. Consequently, the clothing sector represented 40% (12 entrepreneurs) of the group interviewed. Small businesses in the construction sector followed, representing 17% (5 members) of the group. Firms of the marketing, public relations, or event planning industry occupied 13% (4 members) of the group, and health and beauty and education and social advocacy were 10% and 7% respectively. Catering, IT, tourism, and trade each has a one company as part of the group, representing 3% of the group respectively.

3.3.3 Demographic of Entrepreneurs

Demographically speaking, almost all of the entrepreneurs would be racially identified as black South Africans, with the exception of one woman, who racially self-identified as colored. As the study focused primarily upon black African entrepreneurship, the scope of the research did not include racially -categorized white or Asian entrepreneurs. Male-led companies represent 27%, or 8 of the total businesses interviewed, where men are part of the leadership or co-leaders with a female partner. Six of the small businesses are led by men alone. The mean age of entrepreneurs interviewed is 31 years. The mode age of entrepreneurs involved in the study is 30, where the youngest subject was 21 years old and the oldest subject was older than 50 years. More than 50% of the entrepreneurs fell within the ages of 25-30 years of age, with the median age mark falling on 29 years. (*Appendix B2*)

3.3.4 Age of Businesses

The age of the businesses, on the other hand, varied enormously from 12 years, the oldest establishment in the study, to a brand new emerging firm of 4 months. Most firms in the study were between 1 and less than 4 years in age, totaling 40% of the group interviewed. Small businesses between the ages of 4 and less than 8 years of age represent 27% and were the second largest group in the study. The youngest set of entrepreneurs, who are less than a year old, and the oldest businesses, who are 8 years and older, represent 13% and 17% of the group interviewed respectively. The overall average age of the businesses studied is 3.7 years, with a mode of 2-3 years. The median age was 3 years. (*Appendix B1*)

3.3.5 Geographic Location of Businesses

The Johannesburg area varies in its geographical formation of communities. At the center of the broad metropolis is the Central Business District (CBD), home to the highest level of commercial activity within South Africa and one of the most vibrant commercial centers of the African continent. Nearly half of the entrepreneurs within this study, 47%, operated their businesses from the CBD. Beyond the CBD are smaller cities and suburbs that constitute the Greater Johannesburg Metropolis. Townships, which were products of institutionalized exclusionary policy of apartheid towards black South Africans also surround the CBD. Soweto and Volorus were the two featured townships within which most entrepreneurs were based. Each urban region – the broader metropolitan areas or the surrounding townships, each host 17% of the businesses included in the study. 20% of the businesses were based in areas surrounding the Johannesburg metropolitan area, including the towns of Benoni and Alberton in East Rand, and Vereeniging in the Vaal.

3.4 RESEARCH INSTRUMENTS AND PROCEDURES

3.4.1 Instrument: Revised Version of Abigail Barr's Entrepreneurial Network Diversity Questionnaire

Primary instruments of data collection were one-on-one in-depth interviews held with the entrepreneur(s) of each business. The conversations were mutually scheduled at the convenience of the entrepreneur. To accommodate the investigator's limited ability in getting around the city, most interviews were held on the site of The Business Place Johannesburg (TBP) Office. If at TBP, interviews were held at the café on the first floor. If not at TBP, then entrepreneurs were at liberty to choose the ideal location, which often times would be their place of work or a nearby restaurant. Time duration of the interviews ranged from 15 minutes to 1 hour and 30 minutes. A digital recorder, upon approval from the participant, was used to record the conversation.

The questionnaire instrument was based upon Abigail Barr's (1995) *Entrepreneurial Network Diversity Questionnaire* from Barr's study on entrepreneurial networks in the manufacturing sector of Accra, Ghana. The instrument was revised accordingly to fit the objectives of the study. Barr developed an original instrument used to assess the social capital – measured via network diversity - of local entrepreneurs. The instrument was piloted and tested in both the United Kingdom and then Ghana, before being launched in a full study in Accra (1995).

Barr's questionnaire identified nine major groups of entrepreneurial contacts. Those groups include: entrepreneurs of a different line of business; entrepreneurs based in another region; immigrant (non-nationals) entrepreneurs; entrepreneurs based in another country; bankers; politicians; government officials; larger businesses; and entrepreneurs of the same line of business. Her questionnaire asked the following 6 questions about each type of contact:

- a. the number of people they knew in each of the nine groups defined.

- b. the important of each group as a whole to their business.
- c. the average frequency of contact with contacts in the group.
- d. the time of the first acquaintance.
- e. the circumstances under which they made the contacts of the group.
- f. the number of close family and friends who are in the business.

The customization of Barr's instrument to this study led to the re-crafting of the set of questions. The questionnaire was expanded into three major sections to explore three major interrelated phenomenon:

1. The diversity and dynamism of entrepreneurs social networks
2. Entrepreneur's conceptualization of *valuable information*
3. Entrepreneur's conceptualization of *entrepreneurial success*

(Appendix A)

As a qualitative study, and specifically a grounded theoretical study, it was important to relax one's assumptions of conceptual meanings as well as theoretical relationships. The investigator posed all questions in an open ended manner to encourage entrepreneurs' elaboration of ideas and experiences shared with the different contacts in their respective networks. This manner enabled the investigator to collect more in-depth qualitative data that was rich in content and context. Furthermore, entrepreneurs were asked to mention any other important contacts which had not already been mentioned and to elaborate on those relationships as well. The investigator chose to inquire what constituted a good performance and valuable

information, and then to later derive that meaning from the data, rather than to go along with the common definitions expressed in the literature.

The revised version of Barr's instrument differed from its original version in several ways. As mentioned before, unlike Barr's close-ended delivery of the questions in order to collect quantitative data, the investigator posed the questions in an open-ended form. Secondly, over time, the investigator adopted a new first question and started the interview by asking the entrepreneur to first tell their story. This question encouraged entrepreneurs to speak liberally about their ideals and the events which they perceived best narrated their progress. Furthermore, it unveiled relationships, interactions, and key incidents in the entrepreneur's experience that may have never emerged in the answers to the other directed questions. Moreover, this answer offered a timeline within which one could note the process of entrepreneurial development—series of happenings that would later become pivotal to the grounded theory analytical process. The 'process' offered a better understanding of the dynamics of relationships over the course of time. It highlighted how different contacts shifted roles and value in lieu of changing conditions that come with time. Thirdly, the investigator collapsed two of the contact types into one. Public officials and government were combined into a single category of government. The investigator found that participants would consider both questions as redundant when asked separately. Furthermore, participants would automatically distinguish between different types of government personalities in their narration.

3.4.2 Data Collection Procedures

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Emails to the recruited entrepreneurs constituted the initial correspondence, then followed up by phone calls when seen necessary. The initial communication with potential participants introduced the investigator and her university affiliation, explained the nature of the study, and mentioned the expected duration of the interview. Most entrepreneurs assumed that there would be no incentive offered and few mentioned it. Those who did ask what they would receive in exchange for their time, were informed of the study's larger purpose towards informing local policy to better address the vulnerabilities of local entrepreneurs within a globalizing market. If the participant agreed to be in the study, a date, time, and venue was set for the interview.

On the day of the interview, personal greetings and introductions were exchanged. The investigator offered any refreshment which the participant desired if the interview was taking place in TBP Café or another restaurant setting. When both had settled down and were comfortable, the investigator would then present the participant with an agreement of confidentiality and the investigator's business card. The agreement was further explained by the investigator, emphasizing the participant's right to maintain the privacy of their identity, to abstain from answering any question of their choice, and to stop the interview if they felt it necessary. The agreement also noted the responsibility of the investigator to keep their identity private during and after the development of the research.

Once these rights were explained, the investigator sought the participant's approval to have the interview recorded. The recorder was turned on and then the interview commenced. Occasional interruptions were accommodated as needed, such as the participant's, or interviewer's, need to answer their phone, receive greetings from other guests, sign into the café roster, and bathroom breaks. Interviews lasted from a broad range of approximately 15minutes to 1.5 hours.

Upon the conclusion of interview, the investigator and participant shared mutual farewells. Often times, both expressed an interest in future communication.

3.5 DATA ANALYSIS: OPEN, AXIAL, AND SELECTIVE CODING

After data collection was complete, data was transcribed, mostly manually. Occasionally, the Dragon Speak dictation program would be employed to quicken the process.

The grounded theory analysis is comprised of three levels of coding: open coding, axial coding, and selective coding. The listing of the three forms of coding is not to suggest that they are conducted in a sequential manner. Frequently, a constant overlapping of procedures takes place in the analytical process.

3.5.1 Open Coding

In the process of qualitative analysis, the integral analytical step, also known as coding, illumines the building blocks of the emerging hypotheses and potential theory. Codes, working conceptualizations of the raw data, are then placed together into more abstract groupings called categories. The process of open coding is the first attempt to reduce the raw data into categories. The investigator read through interview transcriptions and highlighted particular happenings, actors, events, and interactions which appeared to help explain or characterize the phenomenon

of social network diversity and its perceived entrepreneurial value. These identified aspects were then given names at a more abstract level by which aspects of comparable attributes could be grouped together under the same labels.

The explanatory power of these categories in the process of theoretical formation is embedded in its properties and dimensions (Strauss and Corbin, 1990). The properties, which are the attributes of any given category, help to develop the concept with more analytical depth and substance. The dimensions, which are criteria of variation of the properties, then show how categories evolve, change, or respond as conditions or other related categories change. This dimensional component contributes dynamism to the emerging theory. (Strauss and Corbin, 1990)

3.5.2 Axial Coding

In axial coding, the framework of the theory begins to develop. In this critical stage, relationships between the categories are being identified. It is at this point where grounded theory distinguishes itself from the broader qualitative methods, which achieve the formation of concepts derived by the data, but often stop the process there. Heightened analytical reason, as well as creativity, on behalf of the investigator is needed in order to denote how categories are interrelated and serve as conditions, context, actions, and consequences to each other. (Strauss and Corbin, 1990)

The *Paradigm Model* is the process by which this interrelating of categories to each other and sub-categories to categories takes place. The model is listed as follows:

(a) casual conditions → (b) phenomenon → (c) context →

(d) intervening conditions → (e) action/interaction strategies → (f) consequences

Expressed in its simplified form above, the paradigm model is far from linear as categories shift in their relationship relative to other categories. This process warrants an on-going interplay between inductive and deductive reasoning. (Strauss and Corbin, 1990).

It is worth noting that the objective of the axial coding is not to lay out an overarching theory which encapsulates all relationships between all categories. Rather, the investigator is aiming to provide a working theoretical explanation of only one of the categories, which over the course of the analysis, is selected as the main phenomenon to be explained. Hence, the bulk of the analytical activity resorts to understanding how other categories and subcategories relate to this main category (the paradigm model). Axial coding then transitions into the third phase of analysis called Selective Coding. (Strauss and Corbin, 1990).

3.5.3 Selective Coding

As mentioned, a core category which will serve as the focus of the theory has been selected at this phase. The investigator then proceeds to narrate the relationships persisting between all categories. The art of story-telling takes priority here, as the investigator lays out the story line explaining how concepts reinforce, set the conditions for, are reactions to, or are consequences of each other. At this point of the analytical process, categories have been well-developed, providing substance to the emerging theory and clarity as to what the research has evolved into since its inception during the preliminary, non-data stages. (Strauss and Corbin, 1990)

The Selective Coding entails the ultimate procedure of moving the analysis from the details of the raw data to the extreme level of theoretical abstraction within the current confines of the study. Later in the process, the relationships noted are then compared against other data to further affirm – or question – the asserted conceptual relationships. This is done by perusing qualitative data, with a keen analytical eye for identifying the relationships highlighted by the newly formed theory. If the data does continue to affirm that the relationships do in fact exist, the theory is further enriched and can be further tested via other methodologies. This step also sheds light on categories that may be conceptually weak and dimensionally sparse. (Strauss and Corbin, 1990)

Formation of the theory is far from complete or exclusive. The end product of the research is not a universal theoretical explanation for the social analysis of entrepreneurial development. Rather the working theory at the end of this study is what Strauss and Corbin (1990) term as *substantive*, a theory seeking to explain a specific phenomenon that takes places within specific context and among specific actors. Hence the resulting working theory will attempt to explain the value of social network diversity among clothing entrepreneurs in Johannesburg, South Africa. Such a substantive theory is distinct from a formal theory, which provides a broadly-applied explanation of a phenomenon due to the continual testing of the theory in different context to confirm its validity. Hence, in order for the working theory of this study to be more applicable across broad settings, this study would need to be conducted in several entrepreneurial environments across sectors, regions, size, and other criteria. (Strauss and Corbin, 1990; Glaser and Strauss, 2007).

The grounded theory methodology allows for an empirical analysis that approaches the subjects and the data with an openness to the prevailing ideas and themes that will emerge. The

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following section unveils the process of analyzing the data with the chosen methodology, and the construction of the concepts of entrepreneurial network diversity.

4.0 DATA ANALYSIS

4.1 OVERVIEW OF THE DATA ANALYSIS

The prevailing research question of this study is “How does the diversity of small entrepreneurs’ social networks contribute to their entrepreneurial development?” The research was conducted to address the following sub-questions.

- What types of relationships are in a small clothing entrepreneur’s social network?
- How do entrepreneurs perceive the value of these different relationships to their business’s development?
- How does the structure and value of network diversity differ across entrepreneurs from different sectors?

The data analysis was conducted – and is organized – in the following format:

1. Of the thirty entrepreneurial ventures interviewed, data of the twelve clothing entrepreneurs was analyzed first to identify the types, value, and prominence of relationships with different contacts in their network structure.
2. Resulting hypotheses were further compared to and scrutinized by the analysis of network structure derived from the qualitative data of twelve other entrepreneurs of the health and beauty; construction; and media and public relations industries – all referred to as service entrepreneurs.

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3. Hypotheses were refined and enriched, forming the core set of hypotheses to be further tested by a cross-sectional quantitative follow-up study in the future.

4.1.1 Bonds, Bridges, and Linkages

In this study, small entrepreneurs were asked questions about the nature of their relationships with 8 general categories of contacts: similar businesses to their own; different businesses from their own; immigrant entrepreneurs; larger businesses, entrepreneurs outside of Gauteng province; entrepreneurs outside of South Africa; actors in the government sector; and actors in the financial sector. Analysis of the qualitative data collected from the entrepreneurs' interviews gradually revealed that each category of contacts possessed a variety of sub-relationships- variations of the broader categories distinguished by different properties and dimensions. These sub-relationships varied in terms of the following characteristics: their size in number in the entrepreneurs' network, their value to the entrepreneur's business, the frequency of communication with such contacts, the initial meeting date with the entrepreneurs, and circumstances and conditions leading to the acquaintance being made.

Consistent with the terminology common in the social capital literature, this study applies the terms of *bonds*, *bridges*, and *linkages* to characterize the eight broad categories of relationships – and their 15 sub-relationships – within the broader conceptualization of social relationship types and their role in economic development. This study draws from the literature the following definitions of the relationship types:

- Bonding relationships broadly refer to horizontal connections between individuals of similar interests, value, and identity such as relationships between family members, close friends, and neighbors,' (Woolcock, 2002, p. 23; Gittel and Vidal, 1998; Woolcock and Narayan, 2000). In this study, *bonds* describe the relationships between entrepreneurs of the same industry and size (other small clothing entrepreneurs) within the same geographic region of South Africa (Gauteng Province).
- Bridging relationships broadly refer to horizontal connections between individuals of dissimilar interests, values, and identity, such as “more distant associates and colleagues who have somewhat different demographic characteristics,” (Woolcock ,2002, p. 23; Gittel and Vidal, 1998; Woolcock and Narayan, 2000). In this study, *bridges* describe relationships with entrepreneurs of various demographic (i.e. immigrants; other industries), spatial (i.e. larger businesses); and geographic (i.e. entrepreneurs in other provinces or countries) characteristics.
- Linkage relationships are vertical connections between individuals and/or organizations and “formal institutions beyond the community,” (Woolcock, 2002, p. 23). In this study, *linkages* describe the relationships of entrepreneurs with institutions of both the government and financial sector.

Bonding, bridging, and linking relationships are primarily defined by the demographic, spatial, and relational characteristics of the individuals or organizations within the relationship (Woolcock, 2002, p. 33), and not the actual strength of the relationship itself. As Woolcock explains, these relationships exist between the parties due to their distinct characteristics that distinguish them from one another “irrespective of how well they know one another” (2002, p. 23). Hence, in some cases, a bridging relationship – connecting an entrepreneur to a dissimilar

contact - can be of greater value and strength than a bonding relationship between two similar entrepreneurs (Granovetter, 1973).

The findings of the analysis suggest a host of prevailing ideas. First, entrepreneurs have various types of relationships within a broad category of contacts (i.e. Communal, Collaborative, and Reciprocal bridges are all different sub-relationships with Different Types of Businesses). Diverse combinations of bonds, bridges, and linkages at any given time construct the social network of small entrepreneurs in Johannesburg, South Africa. Secondly, these relationships are differentiated across a gamut of dimensions and are distinguished by their different contributions to the entrepreneur's development. Thirdly, certain bridging, bonding, and linking relationships are of higher value to the small business' fulfillment of its goals due to the demands of the economic sector which the entrepreneur belongs to. In turn, these relationships assist in moving the entrepreneur's small business through phases of its development, maneuvering through different economic pressures and opportunities. In turn, fourthly, social network of diverse relationships within which an entrepreneur is embedded is far from static. The composition of diverse relationships changes over time, whether intentionally or by circumstance.

Results from the grounded theory analysis will be presented in the following sections. Section II of this chapter will lay out the different types of relationships of clothing entrepreneurs by identifying the existing bonds, bridges, and linkages. Section III will introduce the analysis of their network diversity structure- highlighting the relative prominence of different relationships in the entrepreneur's network. Furthermore, this section will layout orientations of value entrepreneurs perceive to gain from the diversity of their relationships. Section IV will compare these findings to that of the second set of entrepreneurs in the service sector and refine the

hypotheses. Section V will bring attention to other important and related concepts that emerge from the grounded theory analysis and integrate these concepts to develop a broader framework of the value of entrepreneurs' social network diversity. Section VI will present the hypotheses as core components of the emerging model of Network Diversity Value.

4.2 NETWORK RELATIONSHIP TYPES

The study first attempted to better understand the different types of relationships which constitute a small clothing entrepreneur's social network. The diversity of relationships within the network structure of small clothing entrepreneurs in Johannesburg, South Africa was analyzed by identifying the following relational properties. Data from the entrepreneurs' interviews also suggested dimensions of scale to further characterize each of the properties.

Table 1: Properties and Dimensions of Diverse Actors in Entrepreneurs' Social Networks

Properties	Interview Question	Dimensions of Scale
<i>Number:</i> The number of contacts that is known by the entrepreneur.	How many (<i>type of contact</i>) do you know?	Many, Some, Few, None
<i>Value:</i> The specific value that the type of contacts contributes to entrepreneurial development.	How important are these contacts to your business? If valuable, describe their value?	Very valuable; Valuable; Somewhat valuable; Not valuable

<i>Frequency:</i> The frequency of communication with those types of contacts.	How often do you communicate with these contacts?	Very often (daily); Often (weekly); Sometimes (bi-weekly to monthly); Rarely (1-6 times a year); Not at all (0 times).
<i>First Acquaintance:</i> When the entrepreneur met the first of these contacts.	When did you make the first acquaintance in this category of contacts?	Before registering the business; after registering the business.
<i>Mode of Making Contact:</i> How the entrepreneur readily meets the contacts.	How did you meet him or her or them?	Professional networking (i.e. workshops; exhibits, etc.); Personal means (i.e. church; family and/or friends, etc.)

The table below presents the variety of sub-relationships for each contact that emerged from the data.

Table 2: Bonding, Bridging, and Linking Relationships in Social Networks

Social Network Type of Relationships	Category of Contacts	Sub-Relationships
Bonding Relationships	Similar Types of Entrepreneurs	<ul style="list-style-type: none"> • Peer Bond • Mentor Bond
Bridging Relationships	Different Types of Entrepreneurs	<ul style="list-style-type: none"> • Communal Bridge • Collaborative Bridge • Reciprocal Bridge
	Immigrant Entrepreneurs	<ul style="list-style-type: none"> • Outsource Bridge
	Larger Business	<ul style="list-style-type: none"> • Corporate Client Bridge • Corporate Assistance Bridge • Inspirational Bridge
	Entrepreneurs Outside of South Africa	<ul style="list-style-type: none"> • Global Bridge
	Entrepreneurs in Other	<ul style="list-style-type: none"> • Regional Bridge

	Provinces of South Africa	
Linking Relationships	Government	<ul style="list-style-type: none"> • Gov. Personal Client Linkage • Gov. Institutional Client Linkage • Incubator Linkage
	Finance	<ul style="list-style-type: none"> • Financial Linkage

4.2.1 Bonding Relationships

1. Entrepreneurs of a Similar Line of Business. Of all the contacts, the small entrepreneurs interviewed claimed to know ‘many’ similar entrepreneurs. Relationships between the targeted group of 12 South African small clothing entrepreneurs and other small business men and women of the clothing industry varied across several properties. Relationship varied across the *styles* of both entrepreneurs, noted to be of more or less value depending upon whether their garment styles were the same or different. The *level of workmanship or experience* between entrepreneurs– from novice to advanced designers – also shaped the nature of their relationship, varying in characterization of mentorship to potential competitors. Furthermore, the property of *workspace* bore with it a connotation of network positioning. For example, an entrepreneur who works from their home were apt to mention the small breadth of their relationships with like businesses; those in studios possessed broader networks; and those who owned their own shops seemed to have broader networks still.

Entrepreneurs with like businesses were represented in two major forms: *mentor bonding* and *peer bonding*. Challenges to the formation of these relationships are characterized as aspects of *competition*.

1a. Mentor Bonding Pairs of clothing entrepreneurs between whom there is a disparity of knowledge, skill, or access to supplies were inclined to become a mentor-mentored relationship. Often, younger, less experienced clothing entrepreneurs in the field would request the assistance of more mature entrepreneurs in the form of either a periodic transfer of information and skills to a more situated, on-going mentoring arrangement. Upon this request, more experienced entrepreneurs would then respond in training, grooming, and nurturing young entrepreneurs. Most extreme cases would involve the bringing in of the younger entrepreneur into the business operation of the more advanced entrepreneur. Here, the novice would work closely under their guidance for a contracted amount of time. Often, this arrangement also provided the advanced entrepreneur with additional help by which to sub-contract in times of surplus demand.

Within the university environment, aspiring entrepreneurs acquired much support and knowledge from lecturers, as facilitated through workshops, classes, advising, and coursework. Additionally, such lecturers coordinated network opportunities within the university environment through the organizing of exhibitions, shows, and competitions, or by encouraging students to attend such events taking place in the city. In some cases lecturers were the first customers of a young designer, purchasing some of their early creations. Furthermore, some entrepreneurs would mention how lecturers would remain in their business life even beyond the university, involved in the formation of professional associations and offering continual support.

During these early stages, mentors in the form of older fashion designers would take aspiring designers under their wing, and also represented an important relationship within this pre-business phase. During this time, several young designers would serve apprenticeships, by which to build their skills, receive exposure, and develop contacts.

This relationship was noted to be very valuable in that it facilitated a high-level exchange of information between the mentor and their student or apprentice. Information included tips of production, skills, machinery usage, and referrals. Younger entrepreneurs sometimes acquired a significant amount of responsibility- including overseeing important parts of the production process, and in turn, maturing in their business leadership. One noted observation is that the mentoring among entrepreneurs appeared to be cyclical. The data revealed that several entrepreneurs who mentioned being committed to mentoring others were also mentored during their years in the field. As expected, the frequency of communication between the actors of this relationship would be very high, on a daily basis until the season of mentorship was over.

Figure 1: Mentor Bond Summary

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|---|
| <p>a. Number: Few
 b. Value: Very valuable (High information and skills transfer; integration into production process; leadership training)
 c. Frequency of communication: Very Often (Daily)
 d. Time of First Acquaintance: Before registration of the business
 e. Mode of making contact: References; fashion exhibitions</p> |
|---|

1b. Peer Bonding Similar clothing designers were also mentioned in the context of being *peers* to the clothing designers. Conditions spurring such relationships included the acknowledgement of specialized knowledge possessed by either entrepreneur. In this regard,

artisans would express interest in distinct aspects of each other's workmanship. Similar to the mentorship relationship, both entrepreneurs' work would reflect a skill set or knowledge which the other does not have. Unlike the mentorship relationship, however, both designers are comparable in experience and exposure to the industry, and are in positions to apply new found knowledge towards new innovations.

As a result, their interactions would unfold in three major ways. First, the designers would be involved in a relationship of mutual learning – a sharing of detailed expertise with each other and shared queries. Both would share information with each other, such as the vendors from whom to access less expensive supplies and machinery. Secondly, they would inform each other of entrepreneurs in the industry with whom to share projects or sub-contract. They particularly would keep each other knowledgeable about upcoming events and competition opportunities, such as fashion shows, at which to display their work and make more contacts. A third form of their interaction is the mobilization of entrepreneurs – through the formation of sector associations and other forms of collective action – to push an agenda of their sector into the public policy arena.

In the case of clothing entrepreneurs, the university represents an important setting within which the entrepreneurs – then students – engaged with a concentrated environment of aspiring clothing designers. Several of these relationships remained in the business life of the small clothing business throughout its development. The *technicon*, smaller trade- and skills-oriented learning institutions hosted several entrepreneurs during their years as students. Most of the entrepreneurs interviewed received some form of formal training in clothing design, ranging from a few courses to several years of courses. In turn, the entrepreneurs varied in levels of certification, from none at all to internationally-recognized credentials.

These relationships helped to facilitate a flow of useful information, although at a more moderate rate than the mentorship relationship. The information would vary, however, and promote an entrepreneur's access to opportunities of exhibition and exposure, reduced cost, and increase security for future business transactions. Entrepreneurs who share such a relationship would also share insight with one another so as to provide a better understanding of the competition as well as the market. The frequency of communication would vary, however, anywhere from daily to monthly.

Figure 2: Peer Bond Summary

- a. Number: Many**
- b. Value: Very valuable (High information transfer about opportunities for exposure; mutual learning; affordable supplies; mobilization around collective interest)**
- c. Frequency of communication: Very Often (Daily) to Sometimes (Monthly)**
- d. Time of First Acquaintance: Before registration of the business.**
- e. Mode of making contact: University; Shows and exhibitions**

1c. Complications to Bonding Relationships – Competition The fear of losing clients to the emergence of another clothing entrepreneur serves as the condition by which a *competitive* relationship between clothing entrepreneurs is generated.

In this regard entrepreneurs spoke about the limited or absent sharing of information. They would describe incidents when other clothing entrepreneurs hoarded information or dodged questions requesting more knowledge about particular issues. The consequences of this relationship bore a negative impact upon the entrepreneur's development. Small entrepreneurs mentioned lost opportunities to be involved in fashion shows or other exhibitions simply because

others would not share the information that the event was approaching. They would lament of the increased time and money it would cost them to secure needed supplies and opportunities because of the reluctance of designers to disclose the source of their inputs or sub-contracted businesses. This hoarding of information would spark a disdain and distrust with fellow entrepreneurs. Interestingly, this trend was considered to be more common between South African clothing designers than other African nationals. The frequency of communication between actors in a competitive relationship is very low.

4.2.2 Bridging Relationships

2. Entrepreneurs of a Different Line of Business Small entrepreneurs were asked about the nature of their relationships with any entrepreneur in an industry apart from clothing (i.e. catering, transportation, etc.). Entrepreneurs claimed to know “many” different types of entrepreneurs, and data revealed different types of sub-relationships within this group.

Two main properties of relationships with entrepreneurs of a different line of business are the nature and the duration of the relationship. The nature of relationships with different types of businesses was either static or dynamic. Static relationships could be characterized by little change in activity over the course of time. A dynamic relationship, on the other hand, changes in activity in response to new opportunities or conditions constantly. The duration of the relationship would be characterized as either short-term or long-term. The former describes a contract-based relationship that soon expires or lessens in intensity once the contract or job has

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been completed. A long-term relationship describes an on-going interaction between parties, either on a consistent contractual or an evolving friendship basis.

2a. Communal Bridging Communal bridging refers to a community of many different entrepreneurs, which fosters close relationships between entrepreneurs, contributing to both innovation and increased security. Entrepreneurs mentioned that they knew ‘many’ small businesses from different industries. One of the prevailing conditions of this community is the role of *space* to facilitate the close proximity of these entrepreneurs, and in turn, continual engagement with one another. Communities of this sort were mentioned most by entrepreneurs who resided – or whose business took place - in the Central Business District (CBD) of Johannesburg. Most clothing entrepreneurs who operated from the CBD were located in large buildings in which many studios or offices belonging to other small businesses were located. Another representation of this intimate setting was with entrepreneurs who owned their own shops. Their shops would serve as a casual recreational spot to which other entrepreneurs would go to relax and interact with each other, during and after hours of operation. Entrepreneurs mentioned that their rate of communication with these other businesses would be nearly daily. The primary method of meeting was through networking events. The point of contact would take place either before or after the business started.

A consistent gathering space enabled entrepreneurs to dwell casually in close proximity of each other, hosted entrepreneurs’ friendly interactions outside the realm of work, providing a place to chat, play games, laugh, and eat. Hence, through these enjoyable exchanges, relationships became more intimate and comfortable, valuing each other outside of the potential contribution they could offer to one’s business growth alone. Needless to say, such an

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atmosphere of trust and respect was very conducive to forming business partnerships in launching new, unprecedented initiatives. One of the ideals highly valued in this circle is that of creating together.

For some entrepreneurs, the relationships with dissimilar entrepreneurs, which evolved into friendships, become this expanding, intermingled web of connections across entrepreneurs. It becomes evident that relationships beget more relationships as people meet each other and then introduce new acquaintances to existing friends. In this regard the growing entrepreneur is becoming more privy to the opportunities of innovation and collaboration that exists with working alongside the likes of entrepreneurs from all angles of artistic expression as well as those in sectors such as transportation, catering, and event planning- especially weddings.

The dominant culture within this community is that of mutual regard in a familial sense. Often, entrepreneurs would describe their relationships as those of being part of a family and treating each other as brother and sister. This perception would come with the expectation of freely sharing information and sharing creative ideas with one another without fear of duplication.

The value of communal bridging to the small clothing entrepreneur was multifold. The on-going engagement between different types of artisans and business people would give way to several collaborations and partnerships between entrepreneurs. A supportive and more secure environment augmented through the familial atmosphere cultivated mutual edification and regard, increased respect, and trust. With the assurance that one's innovations and originality would be respected, the environment also encourages an on-going exchange of new ideas and increased world awareness.

The nature of relationships between different types of entrepreneurs within the *communal bridging* is dynamic. It is ever-changing as new ideas provoke new directions for business and collaboration. Furthermore, it is long-term, as these relationships, which gradually evolve into close friendships of high accountability and respect, warrant a consistent interest in each other's progress and an on-going relating to one another.

Figure 3: Communal Bridge Summary

- a. Number: Many**
- b. Value: Very valuable (Collaborations and partnerships; high security; exposure to new ideas and increased awareness about the world)**
- c. Frequency of communication: Very Often (Daily)**
- d. Time of First Acquaintance: Before or after registration of the business.**
- e. Mode of making contact: Networking events; Meeting at place of work.**

2b. Collaborative Bridging *Collaborative bridging* describes the combined services of two or more entrepreneurs on a joint project to produce a bigger and better end product.

Similar to communal bridges, entrepreneurs also described having 'many' contacts with other types of entrepreneurs with whom they could collaborate in joint ventures. Communication with these different types of entrepreneurs would also take place frequently - daily or weekly. The method of meeting these contacts – again, like those of communal bridges – involved interacting in networking events and a point of contact were made before or after the business was formally registered.

"I said I interlink with so many other businesses maybe in a project, and I find myself being a business development from a project I know is not my field, but obviously

(*business name*) must share with other people.” ~ HR

In contrast to communal bridges, however, *collaborative bridges* are based more upon the project and appear to be much less intimate. They were not apt to be described in terms of friendships and family as communal bridges were. Rather, they appeared to strictly serve an income-generating purpose – increasing capacity for joint agreement so as to increase productivity or to provide means of expansion or diversification for the small clothing entrepreneur. Hence the primary value of *collaborative bridges* with entrepreneurs of a different line of business is related to increased productivity. By combining resources and production capacities, small businesses are able to provide for markets of greater demand and compete at levels at which, by themselves, they would be less able. Small businesses continue to acquire knowledge of new trends and techniques as they begin to engage with these new market opportunities. Furthermore, via this collaboration, small businesses acquire means by which to engage with potential partners and gain access to unfamiliar markets and new business activities.

Similar to communal bridges, *collaborative bridges* are dynamic. They are ever amorphous as they respond to shifts in demand and new opportunities to create anew. They are geared towards innovative and incorporating new technologies and methods to respond to new markets. Nonetheless, unlike communal bridges, *collaborative bridges* are not long-term. They are short-term and project-oriented, shifting depending upon the duration and success of the joint task. Hence, they exist mainly for revenue-generating purposes alone, and are less apt to provide the familial, supportive network offered by the communal bridges.

Figure 4: Collaborative Bridge Summary

- a. Number: Many**
- b. Value: Very valuable (Business collaborations on joint projects which increase revenue, introduce to new markets, diversify or expand business activity, expose to new ideas and techniques)**
- c. Frequency of communication: Very Often (Daily) to Often (weekly)**
- d. Time of First Acquaintance: After business registration.**
- e. Mode of making contact: Networking events**

2c. Exchange Bridging Exchange bridging describes the mutual business exchange between entrepreneurs with dissimilar services. Entrepreneurs mentioned that they possessed ‘some’ of these contacts in their network. In some cases entrepreneurs would design or sell clothes to other small entrepreneurs, from whom they would source services such as hair-styling or record-keeping of their accounts. This exchange would gradually transform the relationship from one of vendor-client to a friendship as the two entrepreneurs would develop an increased respect for each other’s work, an appreciation for each other’s patronage, and a sense of allegiance in the entrepreneurial lifestyle.

The data suggests that *exchange bridging* exist between two forms of different businesses: first, entrepreneurs who have a technical and service-related skill, often times providing ‘business development’ services; and secondly, entrepreneurs who are artisans or provide personal services. Relationships with members of either groups offer different types of value to the development of small clothing businesses. Relationships with technically-skilled professionals - such as accountants, IT specialist, marketing agents, and legal counsel – for example, specifically provide useful guidance and advice in business structure, legal compliance,

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fiscal management, and bookkeeping issues. Small entrepreneurs, who are of the artisan and/or personal services industries, such as hair-styling or catering, serve as a great source of business referrals as well as important information as to where one can access materials for a reduced cost. Building relationships with both professionals and entrepreneurs in the personal service and/or artisan industries increase entrepreneurs' understanding of how others run and manage their businesses, contributing to their knowledge in guiding the progress of their firms.

These relationships were often sparked as the fame of the entrepreneur's work spreads. Relationships formed in marketplaces, where entrepreneurs may sell their creations in market places or public trading venues alongside others. Secondly, people within informal circles, such as church or neighborhood, learn of the services provided and seek the entrepreneur to request services for themselves and their friends and families. Consequently, the exchange bridge describes very casual relationships between entrepreneurs. Such relationships may or may not morph into anything other than reciprocation of deeds embedded in a mutually friendly regard for one another. This friendly basis eases the economic transaction, making business personal and making mutual patronage a friendly obligation more so than an impersonal purchase.

In contrast to collaborative bridges, entrepreneurs within exchange bridges will swap services, but they do not combine services to create a greater product. In contrast to both communal and collaborative bridges, exchange bridges do not necessarily involve an exchange of new information or innovative ideas, per say – mainly services. These relationships contribute more to building a fraternal connection between entrepreneurs and encouraging a sense of mutual responsibility for each other's progress.

Entrepreneurs in reciprocal bridges with other entrepreneurs communicate periodically, often on a need basis, rather than consistently as with the other two forms of relationships.

Rather than meeting these contacts at networking events, entrepreneurs are connected to most of these different types of business through more familiar and personal settings, such as the church, referral of family members, the market place, or mutual friends and/or colleagues. Most entrepreneurs made these contacts either before or after the business was registered. Duration of these relationships could be described as long-term, although conveying a static, unchanging nature.

Figure 5: Exchange Bridge Summary

- a. Number: Some**
- b. Value: Valuable (Business development services; Insight on how to run a business; information of affordable supplies; referrals)**
- c. Frequency of communication: Sometimes (bi-weekly to monthly)**
- d. Time of First Acquaintance: Before or after registration of the business.**
- e. Mode of making contact: Familiar and personal settings, church, family/friends' referrals, market place place of work.**

3. Immigrant Entrepreneurs – Outsource Bridging In the interviews, the term ‘immigrant entrepreneurs’ was immediately interpreted as black African nationals from other countries in the African continent who owned businesses in the Johannesburg area. Immigrant entrepreneurs serve a particularly special role in the production capacity of small entrepreneurs. When asked to describe their relationship with immigrant entrepreneurs, clothing entrepreneurs explained that when they are overwhelmed with demand or require a specific skill set in order to complete a project, immigrant entrepreneurs are consulted to assist in the production or to provide the specialized expertise. Entrepreneurs consistently referred to this process as ‘outsourcing.’

At this point clientele is expanding. Entrepreneurs have made impressive clothing that has caught the eye of rich officials and/or their spouses, promoting referrals. The general community has seen their clothing, whether at exhibitions or public market places. A few may have made connections with certain celebrities by which their clothing products are being given special attention. Others have been featured in interviews on the radio or photo spreads in magazines, giving them special publicity. The demand is increasing, and in turn, entrepreneurs need more help. Nonetheless, short of the funds or organizational structure to support hiring employees, immigrant entrepreneurs – to whom to outsource work- are consulted.

Small entrepreneurs have made these relationships usually after their business is registered and through the referral of other entrepreneurs. Entire garment orders or part of the garment is sub-contracted out to these other sole-proprietors to be completed within a certain time frame. Their unique skills and high quality workmanship garner satisfaction from the customer as well as the small entrepreneur. Often this relationship continues many years into the entrepreneur's business life as they choose to outsource work to the same immigrant entrepreneurs because of increased trust and mutual respect for each other's work.

M: "They [*immigrant entrepreneurs*] help us with –
They help us with lots of stuff because they are hard workers."
O: "Those guys are hard workers. Nigerians, Congolese,
Those guys are hard workers. Even when we have a lot of
work to outsource, we don't go to South Africans. We go
straight to foreigners."

~ M&O

"I wanted to do embroidery – I was referred to Moussa. Moussa referred me to Mike who is into tailoring. Mike referred me to Fauston who is into – you know? I think they are really – they, they...they are very confident about their work. So I guess that's why they don't see problem with referring you or letting you know with other people - which you never know with South African... Then I spoke to Mike, Mike said, 'let's go now.' And then he dropped me there. He's not the one paying anyway. As long as

he's taking me to where I want to go. Then I paid him, that was it."
~ *T*

"It's almost like – it's open for everybody. Yeah. Oh we have to meet people, so that's how we work with them, and then we help each other out as well also. Uh, sometimes when I have a lot of work, I 'll call maybe two Malawian guys. I know they're fast, and they don't charge you too much, and they'll help..."
~ *H.*

The conditions of heightened need to meet overwhelming demand or acquire a specific expertise, as aforementioned, spark the relationship between South African clothing entrepreneurs and many immigrant entrepreneurs. Often, clothing entrepreneurs from other countries have specialized skills, such as embroidery, buttoning, or cloth painting, which are common in their respective countries' clothing and fashion industry. Additionally, they often possess specialized machinery – such as an embroidery machine. Another condition is that small entrepreneurs experience a surplus of demand which their production capacity cannot bear alone, risking poor workmanship, late delivery, and loosing clientele. In both these circumstances, local South African clothing entrepreneurs seek the services of immigrant entrepreneurs.

Small clothing entrepreneurs explicitly affirmed the value of relationships with immigrant entrepreneurs to their business activity. Immigrant entrepreneurs were noted to provide highly-skilled workmanship and reliable service. They also served as a hub of information about where to access less expensive supplies and other artisans with specialized skill. Furthermore, they would relieve the small entrepreneur's burden of performing all the work – and meeting all demand – 'in house' when sharing the load of production upon being called. This arrangement would also alleviate the pressure of employing staff, enabling small entrepreneurs to still produce at a high level without having to bear the legal implications and financial obligations of hiring workers.

Immigrant entrepreneurs gradually play an essential role in the communal bridging process as they become an important part of the production. They contribute to the clothing community's culture of a receptive, open, and diverse environment where communication is fluid. The data suggested – as previously described - that relationships with immigrant entrepreneurs promoted a sense of collaboration and mutual assistance. Consequentially, they contribute to the sense of family and security naturally cultivated within these clusters of intimate business relationships. Most commonly mentioned nationalities of immigrant entrepreneurs with whom small clothing entrepreneurs have relationships were Congolese and Ghanaian. Nigerian and Malawian entrepreneurs followed in the number of times they were mentioned. Entrepreneurs from Senegal, Mali, and Zambia were also mentioned.

Most relationships with immigrant entrepreneurs appeared to be made after the registration of the business. The method of meeting was often sparked by the initial sharing of a common space, such as a building or office, or a referral from other clothing entrepreneurs. Once a sub-contracting relationship was established, small entrepreneurs noted a high rate of communication with immigrants - on a daily to weekly basis. Immigrant entrepreneurs play a pivotal role in the manufacturing process of clothing goods. Their relationships with South Africans would last for years - once their services were noted as good and reliable- and they would be consulted for outsourcing on a constant basis. This consistent arrangement would rarely fluctuate in any dramatic sense, and hence, could be considered static in nature.

3a. Complications to Immigrant Bridging Relationships Entrepreneurs did mention some challenges to this bridging relationship with immigrant entrepreneurs. Despite their impressive expertise, hard work, and high quality production, immigrant entrepreneurs were noted to

commit acts of poor work ethic that could strain their relationship with South African small entrepreneurs. For example, entrepreneurs expressed that occasionally, immigrant entrepreneurs would rush the work contracted to them. As a result the garment may not be adequately assembled, leaving the entrepreneur dissatisfied and often demanding that the work be done again. Also, immigrant entrepreneurs were mentioned to occasionally miss deadlines and duplicate original designs. Barriers in communication – particularly with immigrants from Francophone countries – were also challenges to overcome in some cases.

Figure 6: Outsource Bridge Summary

- a. Number: Many**
- b. Value: Very valuable (Share production through outsourcing arrangement; Expertise in specialized skills)**
- c. Frequency of communication: (Very)Often (daily to weekly)**
- d. Time of First Acquaintance: After registration of the business.**
- e. Mode of making contact: Sharing common working space; referrals by other clothing entrepreneurs.**

4. Larger Businesses Approximately a third of the entrepreneurs in the clothing sector mentioned how they either knew very few larger businesses or those which they did know were of little value to their company. Hence, the numerical presence of larger companies in the social network of the small clothing entrepreneurs is allegedly very small.

Nonetheless, entrepreneurs' interviews were coded to include all interactions with larger businesses mentioned throughout their narration of their business's story. From the data emerged various definitions of 'larger businesses.' Furthermore, the data suggested that larger businesses of different roles offered different levels of value to small business development.

4a: Corporate Client Bridge Few entrepreneurs expressed entering the market of garment mass production by being contracted by corporations to produce bulk orders.

The initial conditions of this relationship involved small businesses who have a solid customer base and have an established brand with which the surrounding community is becoming increasingly familiar. Such small entrepreneurs also expressed being interested in diversification of products and services. The larger businesses described was often from an industry other than clothing.

Small businesses would be contracted by these larger corporations for the production of corporate wear. The garments would bear the logo of the large corporation for their marketing purposes. If the client is satisfied, they would request the entrepreneurs' services again in the future, cultivating an on-going business relationship.

In addition to the revenue generated from the transaction, small businesses also gain the chance to expand their business activity. To several entrepreneurs with the mindset of diversifying their business activity, establishing business relations with large corporations means high-revenue projects, increased financial viability, and securing the sustainability of the firm. Entrepreneurs attested to communicating with these larger corporations as 'often,' specifically on a weekly basis.

Figure 7: Corporate Client Bridge Summary

- a. Number: Few**
- b. Value: Valuable (Diversifying business activity; participating in high-return projects)**
- c. Frequency of communication: Often (weekly).**
- d. Time of First Acquaintance: After registration of the business.**
- e. Mode of making contact: Communication initiated by small entrepreneur.**

4b. Corporate Assistance Bridge Corporations can also serve as suppliers of resources and materials that are essential to ‘catapulting’ the production capacity and marketability of small entrepreneurs. The data suggested that corporations play this role of providing entrepreneurial assistance primarily through corporate sponsored events – such as fashion shows, exhibits, and competitions. Through these means, corporations participate in giving several eligible small clothing designers their first broad opportunity of exposure. Exposure of their work to leading designers in the industry, international critics, the media, and potential consumers also draw entrepreneurs new to the industry into the limelight of up and coming fashion trends.

The value of this relationship can be significant to small entrepreneurs launching into the market. The gains from winning such competitions can be invaluable to an entrepreneur’s progress- from receiving supplies, such as sewing machines and cloth, to prizes in money. Furthermore, competition winners are highly publicized, with their work and biographies featured in magazines, various radio outlets, and occasionally on television. Through such outlets, their brand and clothing’s persona gain more and more attention and visibility. Some prize packages include international trips to which some of the entrepreneurs have been featured in fashion shows in Europe and other African countries.

The value of the Corporate Assistance Bridge, however, is also highly conditional. Those entrepreneurs, whose work has been judged superior to the rest, acquire the rewards. If an entrepreneur is not a winner of a competition, he or she will not be a recipient of the opportunities and esteemed gains that the corporation offers. Hence, the data suggest that the value to be gained from indirectly initiating a relationship with a corporation via participating in its competition is not guaranteed merely from participating in the corporate-sponsored event. Small entrepreneurs risk the cost of time, money, and energy spent in participating in exhibits

whereas, at the end, they may have little returns to show for it. Indirect gains do exist, however. In the event that an entrepreneur does not win, entrepreneurs still are able to network with other entrepreneurs, be introduced to new approaches in fashion, and access experienced designers and their feedback.

The frequency of communication within this relationship is periodic, often on an event basis. Entrepreneurs meet these corporate sponsors upon their initiative to enter an event or competition. Information about the events is usually relayed to them by other similar clothing entrepreneurs.

Figure 8: Corporate Assistant Bridge Summary

- a. Number: Few**
- b. Value: Somewhat valuable**
 - Direct gains (based upon condition of winning events):**
Prizes in supplies, money, and international trips; far-reaching publicity.
 - Indirect gains: Networking; Feedback from established fashion professionals; Exposure and introduction to new trends.**
- c. Frequency of communication: Sometimes (monthly) to Rarely (few times a year).**
- d. Time of First Acquaintance: Before or after registration of the business.**
- e. Mode of making contact: Referrals by similar entrepreneurs, place of work.**

4c. Inspirational Bridges Inspirations refer to established, self-made black entrepreneurs in South Africa who the small entrepreneurs referred to as the inspiration behind the launching of their business. Many of the entrepreneurs interviewed emphasized the success of women entrepreneurs as well as the richest black man in South Africa, Patrice Motsepe.

The interaction between small entrepreneurs and their inspirations could vary. In some cases, small entrepreneurs admitted not knowing these inspirations personally but learning of their story through television, the radio, or other media outlets. In other incidents, small entrepreneurs have actually conversed with their inspirations, meeting them in various networking gatherings or through personal contacts.

As the name implies, the primary value from these relationship for small entrepreneurs is an increased sense of confidence that one can certainly succeed as a black business in South Africa. The struggles and triumphs of black entrepreneurs' experiences transfer assuring messages that the racial prejudices that once rigidly constrained the nature of interactions within economic, social, and political life of South Africa are gradually shifting. Furthermore, their story reveals their success in managing the tumultuous cycle of business development. The frequency of communication between entrepreneurs and such contacts would be periodic.

Figure 9: Inspirational Bridge Summary

- a. Number: Few**
- b. Value: Valuable (Motivation and confidence. Insight of how to maneuver through the business process.)**
- c. Frequency of communication: Sometimes (monthly) to Rarely (Few times a year)**
- d. Time of First Acquaintance: Before or after registration of the business**
- e. Mode of making contact: Family/friend referrals; Media**

4d. Retail Clothing Stores – No Relationships Retail clothing stores were referred to as 'larger businesses' during the interviews, but were of very little value to the development of the small clothing businesses. Entrepreneurs explained that retail stores and small clothing

entrepreneurs rarely communicate. Furthermore, such stores normally did not display the styles of clothes that these entrepreneurs specialized in designing. Most clothes displayed were mainstream western-style clothing, mass produced and imported from abroad. Hence, small entrepreneurs perceived little value to having a relationship with larger companies such as retail stores.

5. Entrepreneurs in Other Provinces – Regional Bridging Most entrepreneurs reported that they knew little to no entrepreneurs in other provinces. Oftentimes, those entrepreneurs who they knew were family members or contacts affiliated with the family. Those who did report knowing entrepreneurs in other provinces mentioned that these contacts were also clothing designers. The primary values which they gained from these contacts were notices of upcoming events and fashion shows by which entrepreneurs could network and compete for opportunities. The lack of internet or telecommunication device – either due to high cost of accessing the service or the existing infrastructure’s low reliability – hindered relationship-building. Nonetheless, entrepreneurs emphasized the priority to establish themselves locally first and to build their local networks before branching to other provinces. Frequency of communication with such contacts would be seldom.

Figure 10: Regional Bridge Summary

- a. Number: Few**
- b. Value: Somewhat valuable (Notices of upcoming events and competitions)**
- c. Frequency of communication: Sometimes (monthly)**
- d. Time of First Acquaintance: Before or after registration of the business**
- e. Mode of making contact: Family/friends, referrals, networking events**

6. *Entrepreneurs Outside South Africa – Global Bridging* Most entrepreneurs expressed that they did not know entrepreneurs who are outside of South Africa. Nonetheless, they communicated aspirations to make contacts all over the world.

Entrepreneurs projected that to engage in transactions with entrepreneurs in other countries has the potential of enabling small African businesses to break into a global market. Small entrepreneurs expressed an interest in identifying opportunities to internationally distribute their garments and designing services. Small businesses admitted to learning of foreign fashion trends and styles as well as adopting unfamiliar designing skills. This exposure would enable product innovation in the clothing sector, rendering the products competitive in both a local and global market. Furthermore, trading their creations internationally could capture the attention of the right international organizations from which to acquire assistance and sponsorship.

Although almost all small entrepreneurs did not know anyone living outside of South Africa, those who did made their acquaintances mostly through tourists or short-stay visitors. A few mentioned having family members or former colleagues who lived in the United States or Europe. Others described having met these in high-scale shows and competitions, as well as casual environments, such as church or shopping centers and associations. The frequency of communication with these contacts is minimal if at all.

Despite the absence of relationship in this regard, most entrepreneurs expressed a desire to make those relationships in the future. They valued the possibility of being able to distribute their clothing to foreign markets and gain international clientele. It was a welcomed idea to imagine their brands worn and known abroad.

The complicating condition was – as with the case of establishing regional bridges - a weak infrastructure of information technology and telecommunications by which to facilitate this international communication. To connect with people abroad on a consistent basis by which to build relationships would require a reliable, affordable, and accessible technological infrastructure for the internet. Nonetheless, they did not seem intimidated by the idea and would welcome the opportunity. A few entrepreneurs did mention the priority to build their brand locally first, and that internationalization of their goods was of interest but not an urgent aspiration.

“...uh, for me it is only internet that can link us to those people. If you can bridge that gap, I think it can open a huge door for us, because we would love to distribute ---, we would love to distribute a few sneakers, but for us to get them, we need to start communicating once a week.”

~W

“I don’t know any at all. Um, I’m always looking for an opportunity to have links, linkages, like, uh, to link up myself with other entrepreneurs so that I can even go and visit those countries and see. Maybe there’s potential. Because South African clothing now, African clothing seems to be selling everywhere.”

~H

Figure 11: Global Bridge Summary

- a. Number: Few or None**
- b. Value: Not (or *Potential*) Valuable (Enabling small South African firms to enter global markets, distribute goods internationally, exposure to foreign trends to encourage innovation)**
- c. Frequency of communication: Rarely to Not at all.**
- d. Time of First Acquaintance: After registration of the business**
- e. Mode of making contact: Familiar and personal settings, church, family/friends’ referrals, market place, associations.**

4.2.3 Linkages

7. Government

7a. Public Official Linkage Informal circles of politicians and civil servants occasionally serve as clients to small clothing entrepreneurs. These clients' high status and visibility draws broad attention to the designer's work, and in turn, attracts more clients, expanding the designer's clientele. 'Few' government officials would occupy the entrepreneurs' network, but communication with these patrons was noted to be often. These contacts are referred to as the *public official linkages* to government.

Small entrepreneurs who have successfully introduced their creations to diverse circles may have already attained a patron of high public official status. Acquaintance with such contacts may also depend upon the social circle within which entrepreneurs' families are embedded or childhood acquaintances that pursued a political career in later years. Nonetheless, despite the time at which entrepreneurs have made this acquaintance, the first formal business transaction of garment production for members of this clientele often takes places after the business is formally established and is new.

"Uhhhhhh. I have two customers from government. Yes. The other one, she is in Capetown...in parliament. The other one, she is my neighbor, but she is in the parliament... I come to meet them by making clothes for them...My neighbor, they tell the others." ~ *I*

"I mean I come from a family of politics. My daddy was an activist and he is still in politics. My uncles – My uncles like are really, really there. Most of them in government because, uh, they are politically positioned. Yeah, they are valuable. Because, I mean, gov, you know right now people are there with the interest rates and all that, people don't have disposable income – they are scared to spend, because they don't know what will happen. So who will be spending? The government will be spending." ~ *HR*

Entrepreneurs meet government officials and employees through informal networks. Older entrepreneurs knew several individuals who currently occupy political office as friends from childhood. Other entrepreneurs knew some government officials through family members. Specifically, connections through parents – who fought with current political figures in the ‘struggle’ - or older siblings were noted means of personal connections to the government sector. Familial networks, such as church and neighborhoods, were also places where entrepreneurs mentioned they met these high profile individuals.

Upon spotting the designer’s garment on another individual of high status, the government official – or his or her spouse – would then seek out the designer’s services, initiating the relationship. The garment worn in public and high-caliber circles is an effective marketing tool for rising fashion designers, and would ignite forthcoming requests as well as a series of referrals to the entrepreneur from the prestigious crowd.

The value of government personal clientele linkages is that the entrepreneur develops a consistent market of affluent and influential people through such referrals. Clothes worn by these high-profile members of society help promote the brand of the entrepreneur and market the clothes effectively. Demand from these customers remains consistent, even in the midst of a economic decline that would render other customers unable to pay.

Figure 12: Public Official Linkage

- a. Number: Few to None**
- b. Value: Valuable (Introduction to an affluent market; brand promotion among wealthy, high-profile clientele.)**
- c. Frequency of communication: Often (Daily to Weekly)**
- d. Time of First Acquaintance: After registration of the business**
- e. Mode of making contact: Familiar and personal settings; family referrals.**

7b. Public Agency Linkage Apart from personal acts of patronage, government can also be an institutional client to small entrepreneurs. Like corporations, government agencies and parastatals contract out to small but able clothing entrepreneurs to provide ‘corporate wear.’ Corporate wear involves the mass production of uniforms or garments that bear the company’s logo for marketing purposes – such as t-shirts, aprons, and hats. Government agencies and government companies purchase these items in bulk.

To be contracted by government to provide such a service, an entrepreneur has to receive a government tender, or business bid, from the agency. Most entrepreneurs would attest that this initial step is impossible to achieve without the personal contact of a government official. If a government official is part of one’s social network, entrepreneurs explained, then the odd of accessing government tender increases. On the other hand, if an entrepreneur did not have a personal government-related contact, then they reported being jostled around. Entrepreneurs described the process as frustrating, whereas when they would follow up with the government contact, the person would always seem to have little time for conversation or could never be reached. In other instances, information obtained about how to seek a government tender would be difficult to apply because of unclear processes or difficult terms and conditions. A public agency linkage to government was mentioned only by the more established and viable small clothing businesses interviewed.

Figure 13: Public Agency Linkage

- a. Number: Few or None**
- b. Value: Somewhat valuable (High-return projects)**
- c. Frequency of communication: Rarely to Not at all.**
- d. Time of First Acquaintance: After registration of the business**
- e. Mode of making contact: Communication initiated by entrepreneur.**

7c. Public Incubator Linkage The *public incubator linkage* describes the relationship between the government and small business, whereas public institutions serve as a business developer. In this relationship, entrepreneurs interact with government on the receiving end, seeking affiliated institutions for capacity-building services. National public entities - such as Umsobomvu Youth Fund - to provincial bodies- such as the Gauteng Enterprise Propeller - offer an array of support, which address the small business in all stages of need. Collectively, they form a network of public-sponsored incubation.

At the point when entrepreneurs begin to seek out services by which to formalize their business, government agencies and affiliated organizations play an essential role in this regard. Shortly after completing the registration process under the guidance of such development organizations, entrepreneurs begin to access various services by which they can strengthen their organizational structure as well as their professionalism. Vouchers, or subsidized government-independent agency arrangements, by which to access marketing and brand-building services were mentioned with critical importance. Such services include web-site building, business cards, pamphlets, and logo designing. Additionally, entrepreneurs expressed receiving vouchers for assistance in administrative and legal compliance. Important workshops included information about financial record keeping, costing and pricing, and human resources and employment issues.

Entrepreneurs' relationship with the public incubator side of government would be ongoing throughout their development experience. They would visit the agencies and interact with the staff periodically, based upon the need as their businesses progressed.

“ Uh, that we benefit from the voucher program in the sense that at least I can get my branding done for me, and Umsobomvu will pay for it, my website, Umsobomvu paid for it – it's through

the Business Place. They pay certain service providers. Yeah. So I go to require a certain service to be done for me, and then Umsobomvu will pay for that. So, uh, so I've done, I've registered my business in 2004. And then since then, you know, I've been running, uh, a business, and, uh, I'm still on the voucher program..."
~H

Interactions with these organizations include assistance with the business conceptualization through the registration process to providing information that molds the business identity and credibility, such as workshops on business management, human resources, and legal counsel. Government-sponsored business developers also provide information about opportunities by which to connect to other entrepreneurs.

As noted in most of the interviews, business advancement is the result of the incubator linkage relationship. Although most entrepreneurs only mentioned one contact of this sort to exist within their social network – oftentimes Umsobomvu – most entrepreneurs would describe the relationship to be of much value to facilitating their business's establishment. Entrepreneurs would communicate with government periodically or on a need-basis.

Occasionally, some entrepreneurs would express frustration with the government business development services. One entrepreneur described experiences of rude encounters with personnel, while another spoke to poorly performed services resulting in complications of her business's development at her expense. Overall, most entrepreneurs noted their interactions with public business development agencies to be very helpful.

Figure 14: Public Incubator Linkage

- a. Number: Few**
- b. Value: Valuable (Provides services that move entrepreneur from one phase of development to another)**
- c. Frequency of communication: Sometimes.**
- d. Time of First Acquaintance: After registration of the business**
- e. Mode of making contact: Media advertisements; referrals by other entrepreneurs; workshops.**

8. *Finance* Entrepreneurs attested to having ‘few’ or no contacts from the financial sector in their social network. Those who did have contacts in the financial sector said that the relationship added little value to their business development. Relationships with most banks were in the form of personal banking services.

Entrepreneurs did aspire to form relationships with the financial sector. They perceived the potential acquisition of this formal source of funding as beneficial to their business growth. They voiced that if able to access formal finance they could build their capacity by upgrading their machines or hiring staff. This change would augment their ability to produce. If able to make more clothing, then they could better manage increased demand, empowering them to maintain a larger clientele. A broader consumer base would generate more revenues. Hence, bank loans were identified to be a key instrument to business progress.

In conversations about building relationships with officials of the financial sector entrepreneurs expressed the task as a means to their development as well as an indicator of their proven viability. Entrepreneurs professed that as they built their business to a point of credibility and viability, they would then be able to qualify for a bank loan. Hence, the acquisition of formal lending was also a mark of progress, and a mark towards which some entrepreneurs strove.

“You get to a point when a bank will take you seriously when you say, hey I need x amount of money in hand... You know? But if you go to a bank and say you want to open up a shop, you got to know your research area, customer profile, how much you’re gonna make, turnover. So you gotta do a product that is going to be commercial enough but not one that is going to saturate the market.” ~ S

Interestingly, bank loans describe an *indicator* of business progress. In order to receive a loan, small businesses must provide documentation of their viability, such as a business plan in the beginning stages or records of sustained income in the subsequent stages. As a result, receiving a loan is a measure of a business’s strong prospects of success and entrepreneurial credibility, since formal banks avoid high-risk ventures.

Despite the expressed ambition of entrepreneurs to access formal funding in the future, entrepreneurs reported several accounts of frustration and distrust in their interactions with bank staff. Entrepreneurs spoke of intervening conditions that discolored their interactions such as the inadequate training of the staff, and harsh treatment of entrepreneurs. Ultimately entrepreneurs concluded that these short-lived relationships primarily resulted in ill-treatment and the denial of their loan requests.

In response to the denial of their loan requests, most entrepreneurs would resort to being self-funded. Two main approaches were readily mentioned across the interviews. On one hand, entrepreneurs with an alternative income-generating activity would incrementally save and invest into their business so as to build it piece by piece. On the other hand, entrepreneurs would initiate a second strategy by starting a second or several small business ventures at once, including some informal businesses, so as to raise income for the main business. Occasionally these strategies would be carried out hand in hand, where income raised from a side business would be saved and invested a little at a time into the main business. Additional sources of finance included family members and competitions.

Most of the entrepreneurs attested to communicate very little with the financial sector, if at all.

Figure 15: Financial Linkage

- a. Number: Few to None**
- b. Value: Not valuable (Potential importance is high *if* entrepreneurs are able to access loan)**
- c. Frequency of communication: Rarely to Not at all.**
- d. Time of First Acquaintance: Before of After registration.**
- e. Mode of making contact: Entrepreneur's initiation of communication; consultancy of bank staff.**

4.2.4 Other Important Relationships: Celebrities, the Media, and Family Members

Beyond the main eight contacts inquired of, entrepreneurs were then asked if there were other relationships they would consider highly valuable to their business. In response a few entrepreneurs mentioned relationships with celebrities and connections with the media.

Celebrities Relationships with celebrities often served the same role as linkages with public officials in the government sector. Because of their high visibility, celebrities would bring attention to the clothing they wore, and in turn, the clothing designers whose garments they wore would receive attention from some of the wealthiest individuals in South Africa. Hence a celebrity's endorsement of one's creations could be a very effective way by which to enter a high-end market. In some cases, however, small clothing entrepreneurs served only as a segment of the value chain for the manufacturing of celebrity clothing lines. Celebrities would contract them to create new fashion trends for a contemporary South African society, upon which the

celebrity's label would be placed. The nature of the relationship between small clothing entrepreneurs and the celebrities they work with seemed to vary upon the nature of agreement.

Media Media outlets, especially television and magazines, were noted as powerful sources of information about styles and fashion developments in other parts of the world. Entrepreneurs spoke to the value of seeing the variety of ways clothing is designed and produced as expressions of other cultures. Current world events and messages from music inform a perspective about one's society that also shapes the way clothes are designed to relay a certain message about youth, politics, women, and other pressing societal phenomenon in the 21st century.

Family Members Family members were often critical points of contact with needed mentors or suppliers of resources and finances for school in the entrepreneur's early stages. Family members served as the source of funding by which to complete any formal training. They provided connections to established entrepreneurs through their own personal network. Family and friends provided initial capital, in terms of machinery and investment, as a friendly gesture in support of the entrepreneur's dream. Also those of an entrepreneur's familial circle were often the first customers of the new clothing designer. They played an active role in referring others of their circle to the entrepreneur's services and promoting their relative's work among different groups of people with whom they are affiliated.

“Yeah, so since then, I haven't stopped, and then 2005,
I got some money from my father's trust. Because he was late.
And then I managed to buy a few machines...” ~T

Competition – A Challenge to Relationship Building

As small entrepreneurs are increasingly solidifying their identity and niche in the clothing market, a differentiation in their peer groups occur. Similar businesses value the comradery developed with like clothing designers and draw the support of associations in their early stages. The feelings of isolation are gradually reduced by an increased security and sense of belonging fostered by the relationships with others who are sharing similar experiences. Gradually, the entrepreneur develops a community of peers.

However, alongside this community dynamic, another of competition is also stirring. At this stage, the variation of entrepreneurs' performance is becoming more apparent and increasingly sensitive to shifts in demand, clothing innovations, and production advantages enabled by different levels of access to different sorts of information. Hence, entrepreneurs mentioned the pronounced wariness they would experience from other clothing designers who perceived them as competition and view their progress as a threat to their own. As a result, information would be hoarded, duplication of designs would occur, and increased distrust would emerge within this small business community.

The competitive dynamic and community dynamic appeared to be counter forces within the same entrepreneurial environment. As some entrepreneurs expressed what seemed to be a joy to share information with one another that may empower each other's initiatives, they also mentioned that this attitude was not possessed by all entrepreneurs. Further investigation is needed to better understand what conditions cultivate a sense of allegiance amongst like entrepreneurs alongside divisive behavior and information disparity amongst others.

4.3 NETWORK DIVERSITY STRUCTURE AND VALUE – ANALYSIS PHASE I – CLOTHING ENTREPRENEURS

4.3.1 Network Diversity Structure: Relationship Type, Number, and Prominence

The following diagram provides a visual depiction of the network structure derived from the data. The purpose of the diagram is to convey the following:

1. *The primary conceptual identities of the different bonds, bridges, and linkages derived from the data via the coding analysis.*

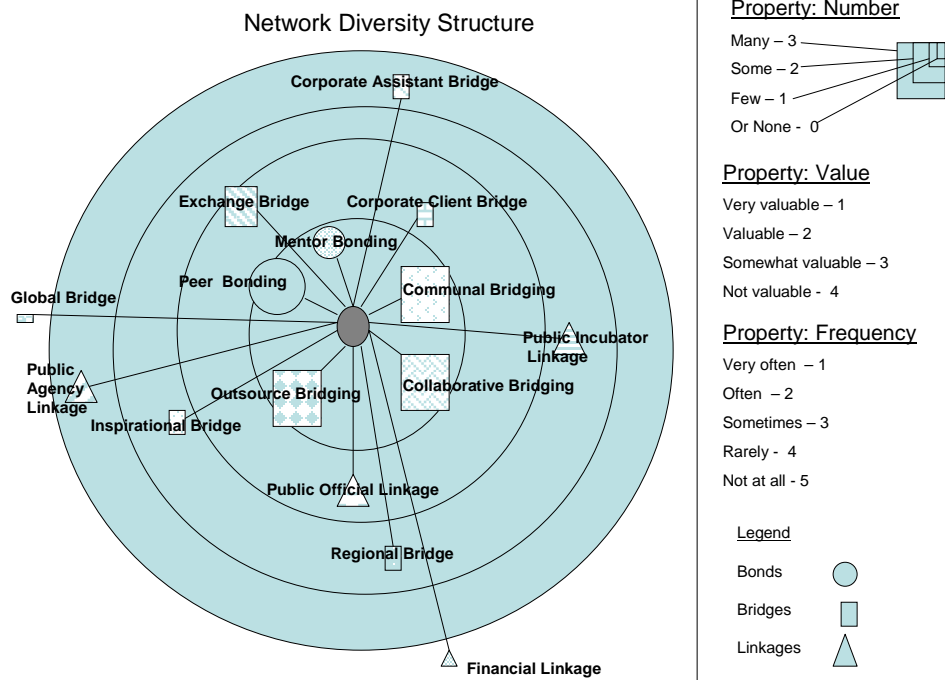
2. *The size of the group of contacts in terms of the numbers of contacts that the entrepreneur knows.* This component is informed by the network property of *number of contacts*. Dimensions of this property (i.e. many, some, few, and none) were assigned a summative scale (i.e. 3,2,1,0 respectively). Furthermore, the dimensions were assigned shapes depicting a consecutive scale of size. These scales were employed to convey their variation in the number of contact groups in visual – and if needed, numerical - form. Contacts of greater number are depicted by shapes of a larger size.

3. *The relative prominence of the ties between the contact types and the entrepreneur.* Tie prominence seeks to determine the significance or weight of a relationship to the entrepreneur based upon 1) how much he or she values the relationship, and 2) how much time is spent with the entity. This measure is represented through an indicator that combines (by averaging) both the relationship properties of *value* and *frequency*. A summative scale is assigned to the dimensions of each of the properties (i.e. *Value*: Very valuable = 1; Valuable = 2;

etc. *Frequency*: Very often = 1; Often = 2; etc.). The calculated average of the Value and Frequency dimensions corresponds with the summative scale assigned to different spheres of the entrepreneur's network, which is also assigned a summative scale. In this manner, the calculated measure indicates the distance of the contact from the entrepreneur on the network diagram. The prominence of the relationship is represented by the length of this distance between the entrepreneur and a contact. The study assumes that the less the value and/or the lower the frequency of communication, the weaker the prominence of the relationship. Visually, a less prominent relationship is conveyed by greater distance – or a longer line – between the entrepreneur and the contact. The data does not sufficiently suggest that either the Value or Frequency variable influences entrepreneurial development more than the other, and hence, are weighed the same. Nonetheless, this aspect is worthy of further examination in future studies.

The *prominence of ties* is an original indicator of relational property for this study, and is distinct from Granovetter's *strength of ties*. Granovetter defines the concept of tie strength as “a (probably linear) combination of the amount of time, the emotional intensity, and intimacy (mutual confiding), and the reciprocal services which characterize the tie,” (1973:1361, Friedkin, 1980). He goes on to cast the famous argument that strong ties are not as valuable in the economic advancement of actors as weak ties. In this study, the property of communication frequency would best represent a measure of tie strength. In summary, *tie prominence* is the product of value and frequency properties of a relationship, where as *tie strength* is the frequency property alone.

Figure 16: Network Diversity Structure of Clothing Entrepreneurs



4.3.2 Network Diversity Value: Orientations of Value

Data suggest that the value which different relationships contribute to an entrepreneur's development process varies. Relationships with a diversity of contacts, in turn, offer an array of resources and information that reinforces different segments of the entrepreneur's initiative. Hence, to build hypotheses that would generate useful information concerning the entrepreneurial value of a diverse social network, 'value' was also differentiated and conceptualized in its distinct forms, or orientations. Four orientations of value were derived from the data, and are expressed in the model as follows.

Figure 17: Orientations of Value

		Direction of Focus	
		<i>Inwardly focused</i>	<i>Outwardly focused</i>
Domain of application			
Organization		Capacity	Innovation
People		Leadership	Customers

- Capacity-oriented value: These are factors drawn from social relationships which contribute to *how much the entrepreneur's small business is able to produce*. These aspects of value assist in augmenting the small enterprise's capacity to operate soundly, produce efficiently, and respond effectively to shifts in demand or pressure from global markets.

A primary example of capacity-oriented value is the combining of production capacities between small businesses. The variation of business integration can manifest itself in several forms. Some small businesses integrate other small businesses' services into their production line so as to achieve the desired volume of output or quality of product without having to bear greater costs in hiring employees. Other small clothing entrepreneurs – as a way of increasing their capacity, for example - may choose to occasionally outsource a segment of their manufacturing process.

“You know what she does, she works with --- beads and embroidery...and beads, that's her signature. Bead-work and embroidery. And for her embroidery, she got somebody from Senegal to do that. And that person is very good. So just the fabric, she can change this fabric –

the plain one, and do her embroidery, and the fabric will be something else.” ~*F*

Capacity-building through the form of business integration can vary in degrees of power- and cost-sharing. As illustrated in the Immigrant Outsourcing Relationship, the entrepreneur still maintains the central decision-making authority. In other arrangements, such as a joint-agreement, the decision-making, as well as the process of production, may be more equally shared.

Capacity-oriented value drawn from relationships can also be in the form of physical capital, such as working space, machinery, or vehicles of labor. Different relationships provide entrepreneurs with capacity-oriented capital in this form, from relationships with large companies to that of similar emerging firms.

“...DeBeers...the diamond company... They bought us all these machines. And some of the stuff that we use in the studio. While they started...they gave us a jumpstart...” ~ *M&W*

“...April, I took, I took my stuff, and went to the Bruma – you know Bruma flee market?... I went there and I got a stall. The stall, it was R160. We shared with one lady. We shared a stall...” ~ *MM*

Educational workshops and consulting services from different relationships also provide capacity-oriented value in assisting the entrepreneur in streamlining and improving their operations as a business. Specifically, such services provide technical assistance for entrepreneurs undergoing complicated legal and administrative procedures or offer guidance and detailed instructions for difficult processes that would prepare businesses for new opportunities.

“Yeah, it’s services (*referring to a business development firm*) are like for people who are tendering. They (*referring to entrepreneurs*) will have to learn the business – how to tender...how to go through a process of tendering. And then, they are going to provide inside, inside jobs which are tenders. Yeah, they are going to provide tenders

for those people who have registered with them and then they are going to help with filling out the tender document.” ~ SK

Aspects of capacity-oriented value focus inwardly on the operation of the business organization. Other examples of capacity-oriented value drawn from social relationships include new business activities, cost-sharing in business partnerships; acquiring needed labor in terms of employees and/or apprentices; securing needed financial capital and other resources; and the quality and number of machinery.

- Innovation-oriented value: These factors of entrepreneurs’ social relationships contribute to *what the entrepreneur produces*, referring specifically to the nature of the good or service that distinguishes the small enterprise from others. Contributions of innovation-oriented value help to shape the nature of the product itself in ways that appeal to different markets and give entrepreneurs access to certain customers. For example, in the clothing industry, information of innovation-oriented value can determine the quality of the product; the style of the product – as to whether it is Afrocentric, western contemporary, for men or women; or the complexity of the product – whether it is a simple blouse or hat or an elaborate wedding dress or suit.

Innovation-oriented value represents a gamut of information stemming from trends to philosophical concepts that inform the entrepreneur as to which product they should create and how. Information of customer preferences assists entrepreneurs in better identifying highly-valued styles of garments in the market. The following business partners, for example, switched from featuring one clothing garment as their main product to another after realizing that the latter had a larger market.

“We started do, um, sleepwear. And then we said,

let's not focus on sleepwear. So now we are doing
weddings now– wedding gowns,
bridesmaids dresses...”

~ *O and M*

Another type of information of innovation-oriented value is knowledge of prevailing social ideas in contemporary society. These social ideas include reigning themes of identity formation among segments of the South African community – such as youth, women, urban residents, or black South Africans. Messages of these social ideas tend to express insight or critique of prevailing norms and controversy in current times with references to politics, culture, history, and world affairs. Sources of these social ideas are made prominent via music, revered political figures, and international events. In this regard, as the following entrepreneur illustrates, clothing designers experiment with ideas of the times and explore means by which to express these ideas in the wardrobes of both the young, urban generation.

“It’s (*referring to her new fashion creation*)... got underlying,
like sort of political issues. It’s, it’s inference on world cultures,
a little bit of this and a little bit of that. – not...it’s not all out...
tribal.”

~ *S*

“Because our concept is to actually show people that side...
that stigma of just being a township...it’s just a regular day,
hard day, you know... although it is Soweto... Yeah, we, we,
we’re not trying to be someone else, you know. We, we are not
trying to be Europeans or be –no, no, no. No, no, no. No, we
are not trying to be like that. We might be influenced by hip-hop
music, by house music, ehhhh, by, maybe we play rock music,
You know, there are a whole lot of influences...but at the end
of the day, we’re doing our own thesis. You know, we do our
own report....Wear your own style. Wear your own identity,
wear your own culture.”

~ *W & M*

Innovation-oriented value can also be found in discovery of new inputs – such as materials and technology – that alter the method of production or the substance by which

products are made. As the entrepreneur articulates below, her creation of women's dresses using an obscure fabric formed her niche in the clothing industry and successfully launched her into the industry.

"Yes. It [*referring to a certain fabric*] comes like a suit like this. Some people, they don't even think they can do anything - a big thing out of it because normally it's a trim that they just put for pants, for collars, for you know, on the track suits. He [*God*] gave me that vision – that top. First thing in the morning, I just go straight to work and then I cut the fabric and I did it. And 'wa-lah' it all started." ~ M

"I've just completed a portfolio for one shop in Rosebank. ...I'm trying to do some basic research before going there. And understand, more tourist go there. And you know, tourist, they like everything that remind them of Africa." ~ F

Items and information of innovation-oriented value help to enhance product creation via facilitating exposure to new ideas and trends on both a local and global scale. Such information and items also introduce entrepreneurs to new technologies and sources of affordable inputs. Aspects of innovation-oriented value focus outwardly on the surrounding conditions of the organization and apply such information to the production abilities of the organization.

- Customer-oriented value: Social relationships that contribute customer-oriented value to entrepreneurs' development help to broaden *who the entrepreneur produces for*. These factors are valuable in exposing and connecting entrepreneurs to new clientele of varying affluence and calibers, more customers, or consumers of niche markets. The shift in an entrepreneur's customer base, can, in turn, influence the demand of the entrepreneur's product or service.

Information about an entrepreneur's customer-base can assist in guiding the innovation and production activity of the entrepreneur. Furthermore, such information of customer-oriented value can position the entrepreneur to best serve the market surrounding them – or expose them

to new markets – contributing to the vitality and competitiveness of the firm. Such customer-oriented information includes the size of the market, and the diversity of the customer base – in terms of demographic, social position, and geographic criteria. Furthermore, information about the nature of demand – from *seasonal* demand of certain fashions as determined by changing environmental conditions, versus, consistent demand, which remains steady despite changes in conditions - is also useful information in informing an entrepreneur of the segment of the market for whom they are producing.

“Um, yeah I think my stuff’s very wearable. I like it to be – I like women to identify with it... there are certain parts with it that deals with certain women’s issues. You know, for me, the research I have done behind it has all these issues, but maybe – I hope it comes across but it is not blatant.” ~ S

Customers’ choices and preferences are shaped by prevailing themes in popular culture, as well as primary current events. Hence, entrepreneurs expressed value in information about political and social trends within South Africa, which helps them to better understand the attitude of the market segment they are producing for.

“Yeah, not abroad - information about the market, the styles, what is happening – Here in South Africa. I mean, before you go abroad, you need to know what is happening here, you know?... And if I’m a buyer, and I want to introduce some style in South Africa, maybe I am working for, I’m a buyer from I.T., I need to know my country first before I can go outside. Yeah...” ~ O

In addition to the local focus, conceptualizations of identity and community are increasingly shaped by global ideas as well. Therefore, some entrepreneurs recognized understanding the broader cultural atmosphere and exchanges of ideas across a global forum as critical in understanding their customers. As with the case of innovating products and services,

information of customer-oriented value equip entrepreneurs to developing their own niche while also learning how to maneuver more effectively through their market.

“...Business books, political books, social books. I mean autobiographies – you, uhhhhh, like for instance (Jack) Danson, your Thabo Mbeki, uhhh, Chiko Onyenia, I’ve done your...Steve Biko, Richard Gilsakie...Art of War... It’s like, for (*name of company*) I think, whatever that you see, was –was done once. For me, if I didn’t read those books, I wouldn’t even have a thought of opening a shop...because all that information gives you reason – it’s that reasoning in developing your own method, your own values.” ~ W

Information about societal trends in politics, popular culture, economics, gender issues and many more contemporary topics are drawn from a variety of sources. As mentioned above, books remain a constant reference of ideas and knowledge. Additionally, the internet was increasingly referred to as a heavily consulted source, as well as media resources, such as magazines and the television.

Items of customer-oriented value also include information about image building – by which entrepreneur’s identity is better communicated to selected consumer bases; network building – by which entrepreneurs learn of opportunities to showcase their wares or services and promote their brand; and internationalization – which offers the possibility of distributing goods and/or services through a global market. Information of customer-oriented value focused outwardly on the trends, tastes, and preferences of the surrounding social environment. Entrepreneurs would apply such value to the domain of people who comprise the entrepreneur’s clientele.

- Leadership-oriented value: Social relationships that were described to contribute to the personal development of the entrepreneur provide leadership-oriented value to entrepreneur’s experience. These items of value help to reinforce *why the entrepreneur produces*, and their

personal growth in vision, resolve, and perseverance that guides the entrepreneur through both the triumphant and difficult times of starting a business.

The sophistication of management skills with which entrepreneurs run their business were identified as a priority in their development and information of high-leadership oriented value. In this regard, entrepreneurs value insight which contributes to the *integrity* of their business. Such insight teaches them how to best adhere to the promises of their operation – such as punctual delivery of services or responsive customer service. Such leadership values assist in upholding their good reputation as a business leader, and in turn, the image of their business. Another aspect of leadership-oriented value is information that contributes to the leader's ability to promote *professional development* of staff within his or her small business in order to enhance the staff's ability to effectively work with clientele and move the business forward.

Management skills included knowledge which the entrepreneur could immediately apply to their business to make it operate more effectively. Such skills included operations, financial literacy, and maintaining good customer and personnel relations. Interestingly, entrepreneurs also strongly emphasized the merit of marketing and branding knowledge to their business.

“Ummmm, I think the, the information on how to – okay, normally here, they even do workshops, you know, in the Business Place. And the information on how to, you know, how to access the funding – we had a workshop like that and uh, the importance of marketing, marketing the business, not only with a, with a business card or the word of mouth. Maybe having the website, having the billboards, networking, the importance of marketing. And once you don't market your business, it will never grow.” ~ *M*

“There was a college in East Rand, the college is still there, a course – how to start your own business. And, oh, I got a (taste) of it in UNISA – Business management... Um, I don't know what happened. Maybe it's because it's very expensive, or what, but it was so helpful. Because it teaches about expanding your business. The little things

that you are not aware of, it can make your business to expand.” ~ *P*

Information about business management was often sourced from community-based organizations or business associations, and could be sponsored by public institutions ranging from national to international governmental organizations.

Items of leadership-oriented value include information and skills of business management; trust and community-building with surrounding economic actors; inspiration and changed perspectives received from the stories and experiences of other entrepreneurs. Aspects of leadership-oriented value are focused inwardly on the internal management team and their development and apply such values to the domain of people within leadership in the small business.

As mentioned, an entrepreneur draws different types of value from different relationships. The following tables shows which orientations of value are contributed to the entrepreneurial development of clothing entrepreneurs from different relationships.

Table 3: Orientations of Value for Clothing Entrepreneurs

Type of Relationship	Orientations of Value			
	Capacity	Innovation	Leadership	Customer
Peer Bonding		X	X	X
Mentor Bonding	X		X	
Communal Bridge	X	X	X	
Collaborative Bridge	X	X		X
Exchange Bridge	X		X	X

Outsource Bridge	X	X		
Corporate Client Bridge	X			
Corporate Assistant Bridge	X	X		X
Inspirational Bridge			X	
Regional Bridge				X
Global Bridge		X		X
Public Official Linkage				X
Public Agency Linkage				X
Public Incubator Linkage	X			
Financial Linkage	X			

The first round of open and axial coding offer findings which suggest that

- in the network structure of small entrepreneurs, *peer and mentor bonds, and collaborative, communal, and outsource bridges* represent the most prominent ties in the social network of small entrepreneurs. More broadly, bonds – particularly with similar small businesses – and bridges – specifically with dissimilar small businesses and immigrant entrepreneurs- were perceived by entrepreneurs to offer the most useful resources to an entrepreneur’s development in the clothing manufacturing sector.
- these relationships, as well as the others in an entrepreneur’s social network, offer information and resources of different orientations of value, specifically capacity-, innovation-, customer-, and leadership-oriented value. The value drawn from the total network diversity of the small entrepreneurs is mostly capacity- and customer-oriented. The most prominent relationships mostly provided capacity- and innovation-oriented value

4.3.3 Hypotheses

The following hypotheses are derived from the analysis.

1. The structure of network diversity of small entrepreneurs differs across economic sectors.
2. The value of network diversity to small firms' development differs across economic sectors.

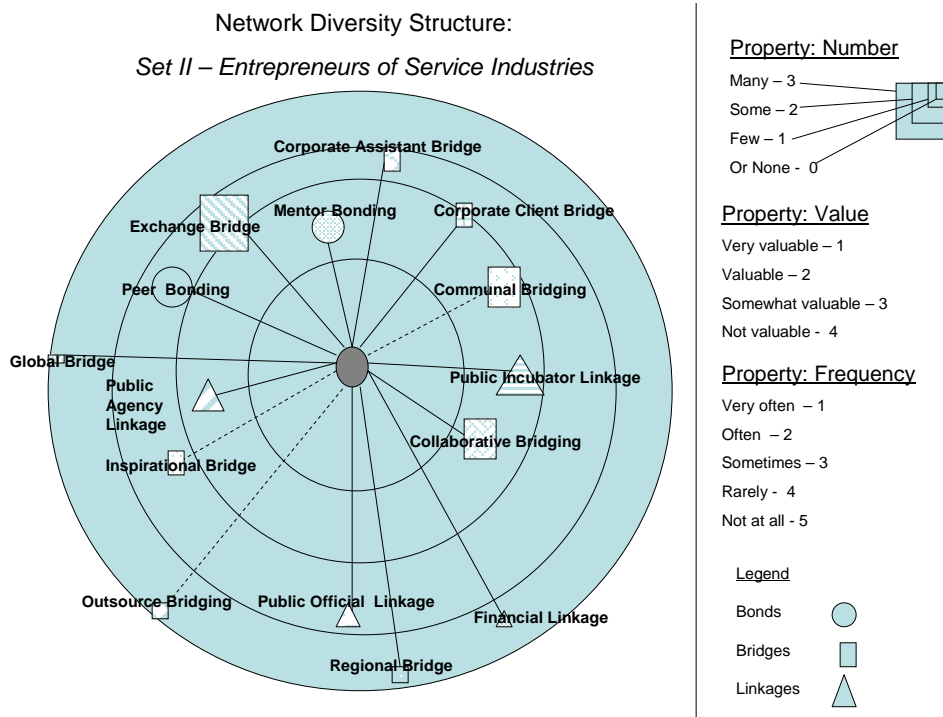
The following section will now compare the results with those of twelve other small, black-owned businesses from the service sector. Three industries which are represented in this group include: construction, media and public relations, and health and beauty. The analysis of the data reveals the following findings.

4.4 NETWORK DIVERSITY STRUCTURE AND VALUE: ANALYSIS PHASE II – SERVICE ENTREPRENEURS

4.4.1 Network Diversity Structure – Service Entrepreneurs

The number of contacts and strengths of relationships were calculated in the same manner as those of the clothing entrepreneurs to form a visual representation of the network structure of entrepreneurs from the service industries. The diagram is as follows:

Figure 18: Network Diversity Structure for Service Entrepreneurs



The network structure of the service sector entrepreneurs have a stark visual contrast from that of the first round of entrepreneurs.

- Relationship Types: The data suggest that some of the relationships noted to exist within the network of clothing entrepreneurs do not exist in the network structure of service entrepreneurs. These relationships are the *outsourcing bridge* with immigrant entrepreneurs; the *inspirational bridge* with larger businesses, and the *communal bridge* with different types of business. Generally, in contrast to the clothing entrepreneurs, service entrepreneurs reported to have little to no communication with immigrant entrepreneurs, particularly in any outsourcing arrangement. Larger businesses were identified more as potential clients, and although not

discrediting their inspirational value, the data did not clearly suggest that this relationship was prevalent per say. Furthermore, very few entrepreneurs expressed having relationships with different businesses that contributed a familial sense of community, such as that described in detail by clothing entrepreneurs.

The data also suggested that service entrepreneurs' *exchange bridges* with different types of businesses represented a different degree of reciprocity from that of clothing entrepreneurs. Data from the clothing entrepreneurs suggested that there is a reciprocal patronizing of each other's services. With entrepreneurs from the service industries, however, services seemed to be transferred between small entrepreneurs in one direction, while the other offers their patronage in return. Hence, this relationship describes an entrepreneur's tendency to source a service from fellow entrepreneurs in exchange for one's patronage.

Furthermore, the diagram implies that the number of entities in the social network of service entrepreneurs is also generally less than those of clothing entrepreneurs. The smaller sizes of the shapes representing different relationship identities imply that service entrepreneurs know fewer contacts from certain groups than clothing entrepreneurs.

- Relationship Prominence: In general, the diagram shows that the bulk of service entrepreneurs' relationships are beyond the most immediate circle around the entrepreneur. This visual distance suggests that there are few relationships with whom service entrepreneurs *both* communicate frequently and draw much value from. In other words, the data suggest that service entrepreneurs have few highly prominent relationships in their social network. These findings are in contrast to the network structure of clothing entrepreneurs, whose 'inner circle' is heavily comprised of the five primary bonding and bridging relationships. Interestingly, similar to

service entrepreneurs, the remaining relationships within clothing entrepreneurs' social networks are similarly less prominent.

The most prominent relationships of the service entrepreneurs' social network appear to be *mentor bonding; collaborative bridge; corporate client bridge; public incubator linkage; and public agency linkage*. In comparison to the network diversity prominence of clothing entrepreneurs, both entrepreneurial sets commonly possess mentor bonds and collaborative bridges as relationships of high value and frequency of communication.

4.4.2 Network Diversity Value of Service Entrepreneurs

Table 4: Orientations of Value for Service Entrepreneurs

Type of Relationship	Orientations of Value			
	Capacity	Innovation	Leadership	Customer
Peer Bonding		<u>X</u>	<u>X</u>	
Mentor Bonding			<u>X</u>	
Collaborative Bridge	<u>X</u>	<u>X</u>		
Exchange Bridge	<u>X</u>			<u>X</u>
Corporate Client Bridge	X			X
Corporate Assistant Bridge	X	X		X
Regional	X		X	

Bridge				
Global Bridge	X			<u>X</u>
Public Official Linkage				<u>X</u>
Public Agency Linkage				<u>X</u>
Public Incubator Linkage	<u>X</u>			
Financial Linkage	<u>X</u>			

Relationship Value: Similar to the network diversity value of clothing entrepreneurs, the orientations of value drawn most from the network diversity of service entrepreneurs are of capacity- and customer-oriented value. In slight contrast, however, the prominent relationships of service entrepreneurs' social networks contribute both capacity- and customer-oriented value as well. The data did not suggest that the prominent relationships of service entrepreneurs contribute innovation-oriented value as do the relationships of clothing entrepreneurs.

In summary,

1. The first hypothesis does hold. The analysis leads to the hypothesis that the structure of network diversity does differ between entrepreneurs of the clothing manufacturing and service sectors. Mentor bonding is a prominent relationship to both group of entrepreneurs, although peer bonding was noted as prominent in the network structure of clothing entrepreneurs alone. Collaborative bridges were prominent relationships in both network structures. Nonetheless communal bridges with different entrepreneurs primarily existed in the network structure of clothing entrepreneurs. Similarly, clothing entrepreneurs held prominent relationships with immigrant entrepreneurs in outsourcing arrangements, whereas service entrepreneurs hardly

knew any immigrant entrepreneurs. In contrast, their outsource bridges were cultivated with different types of businesses.

Service entrepreneurs, on the other hand, appeared to hold prominent relationships with the government, made evident through the highly-valued, high frequency public agency – where the government is a client.

The data suggests that both groups of entrepreneurs hold corporate client bridges as prominent relationships with comparable prominence. Moreover, global bridges and financial linkages were deemed relationships of low prominence to both groups as well. The findings reveal that clothing entrepreneurs are inclined to form relationships with other small firms of various entrepreneurial characteristics in order to connect skills, ideas, and workmanship in the manufacturing of new garment creations that are competitive. On the other hand, prominent relationships of service entrepreneurs suggest their need for development services by which to attract sub-contracting offers from capital-intensive, complex firms. In that larger firms dominate the industry, small service entrepreneurs fare better to be integrated into their production system than to compete. Hence, they invest their resources in improving the sophistication of their firms and vying for business relationships with larger partners.

2. Hypothesis two holds partially. The overall network diversity value for both groups of entrepreneurs showed to be largely capacity- and customer- oriented. Nonetheless, the analysis leads to the hypothesis that the network diversity value differs between groups of entrepreneurs, due to the differing contributions of the prominent relationships. Although prominent relationships of both groups provided information and resources that were capacity-oriented, the second greatest value provided was that of innovation-orientation for clothing entrepreneurs,

while, again, customer-orientation for service entrepreneurs. These findings illuminate the multiplicity of small entrepreneurs' needs in striving to remain viable in an economy undergoing both internal and external market pressures. Literature suggests that small entrepreneurs prefer security-oriented networks over innovation-oriented networks. Nonetheless, the analysis illustrates that certain small entrepreneurs also cultivate relationships that provide resources of innovation, exposure to new clientele, or the increased ability to produce efficiently. Hence, such findings are evidence that small firms are not just concerned with security-driven connections. Small firms also strive to obtain relationships which will assist them in thriving in their innovation, production, and operation despite their small size in a huge market.

4.5 ANALYSIS PHASE III: INTERACTION BETWEEN ECONOMIC SECTOR AND OTHER VARIABLES IN EXPLAINING VARIATION IN NETWORK DIVERSITY STRUCTURE AND VALUE

Thus far, the analysis affirmatively hypothesizes that the variation of network value is attributable to the varying structures of the network, which may be explained by the economic sector of the small firms. In this regard, the data supports the proposition that different industrial conditions may shape entrepreneurs' networks differently, and in turn, also determine the different entrepreneurial value that firms gain from their relationships. Although stating that a difference in network diversity exists between sectors, the hypotheses presented thus far do not present possible reasons for *why* these differences exist. The following phase of the analysis will further investigate and propose some variables by which the variation of network diversity structure and value both *between* and *among* entrepreneurs of different sectors might be further

explained. This section extends the analysis by analyzing the interaction of other variables with that of economic sector to explore the possibilities of forming new hypotheses regarding the conditions that shape network diversity. This analysis does not attempt to present an exclusive list of hypotheses or variables to be tested, but an initial step to considering a host of possible variables that could illumine the factors influencing a small entrepreneur's surrounding social structure. This section of the study will explore three variables in particular, as highlighted by both the data and the literature: vulnerability to global imports, business phase, and firm size.

4.5.1 Hypothesis 3: Economic Sector and Vulnerability to Global Imports

Why would an entrepreneur's sectoral identity contribute to the variation in their network diversity structure and value? Data from the clothing entrepreneurs suggest that entrepreneurs of different sectors experience different levels of vulnerability to global pressures, and specifically, the imports of foreign-manufactured garments. Small black clothing entrepreneurs consistently expressed the threat which foreign imports of clothing within the South African local market posed to their viability. Most of these imports were noted to come from China and other Asian countries. Interestingly, such an emphasis on the influence of international trade was not similarly detected in the data derived from interviews of service entrepreneurs.

Clothing entrepreneurs explained that Asian clothing imports presented steep competition for several reasons. First, entrepreneurs mentioned the high incident of the duplication of their original designs. These original styles would be manufactured in bulk, allegedly overseas, and then imported into South African local markets. Because they would be sold for nearly a third of

the price of an authentic, customized gown, clothing entrepreneurs claimed to struggle in order to maintain their sales. Customers would be lost to garment vendors from whom they could purchase duplicated garments for much cheaper prices. Entrepreneurs strongly expressed the increased pressure such competition would have upon their business.

“ I mean now, the Chinese are killing the market, so it’s getting tough. They are making our – they are copying what we are doing and – selling them cheap... Cheap – like 50 bucks, 60 bucks and then they are really killing us. “
~ *O and M*

“They duplicate what we do... and I think that’s why, that’s one of the main reasons why we suffer. You find maybe as a designer – I mean, you’ve studied for this, you’ve spent years, you’ve spent money investing into this particular business, and you find maybe you’ve done three course study like myself. Three year course in fashion design, ummm, and I come with this beautiful garment. And everybody else copies it. So copy-catting, and you find maybe China, kind of picking it up, wherever, whether it’s from a magazine or something. They go to China, they duplicate, and they come and sell it for R30. You are charging R6000, so they’ve killed you, so between you and the China, where are they going to go to? They’re going to go to somebody who does it much cheaper, you see. So that has literally killed business for us, uh, designers most of the time.” ~ *H*

The intensity with which small black designers are constrained by the high value of their craft appears at odds with the downward pressures of the market results, and results in a pressure which is sufficient to stunt an entrepreneur’s progress. The difficulty appears to lie mostly in the inability to produce authenticity at competitive prices, the inability to convince customers that authentic work is worth the cost, and/or the inability for customers to pay the cost of what authentic work is worth.

“ Now there’s the Chinese, uh, merchandise that comes in and out of South Africa everyday for less and if your selling your suit for just R3000 and you’re just [*name of company*], nobody knows about you. They’d rather buy a fake Armani suit from China then

support you – you understand. And there’s a lot of other seamstresses, millions of them, who are losing their jobs because of such things and us as designers, we can’t maintain ourselves. Yet we have talent and there are people who really love our work but they can’t pay for it.” ~ *T*

Entrepreneurs from the service industry did not readily mention the threat of foreign competition compared to their clothing counterparts. This absence of this expressed threat could be attributable to several reasons. Services from other countries may not be – and were not noted to be – a pervasive threat to their entrepreneurial activity. Construction, health and beauty, and media and public relations – on the other hand – expressed facing competition more internally, and primarily with larger business in the same local industry. In lieu of this form of competition, small firms of service industries expressed their efforts to strategically position themselves to be sub-contracted by these larger companies, and hence, integrated – even if temporarily – into their production process.

Hence, this contrast of perspectives to global competition suggests that entrepreneurs of different economic sectors face different pressures of global competition. Consequently, the rational follows that firms of different sectors may cultivate peculiar relationships in order to adequately respond to – and sufficiently manage – these varying conditions. Hence, as the two industrial sector presumably are affected differently by the impact of international trade, so will the firms of these sectors seek particular value from specific relationships so as to deal with such pressures accordingly. This rationale informs the third hypothesis of the study.

Hypothesis 3: Network diversity varies between entrepreneurs of different sectors due to the sectors’ different levels of vulnerability to global imports.

4.5.2 Hypothesis 4: Economic Sector and Business Development Phase

Hypothesis 3, positing that networks of the clothing manufacturing entrepreneurs differ from those of the service sector due to the entrepreneurs' vulnerability to global pressures bears implications for the composition of clothing entrepreneurs' network diversity. Such a hypothesis, if confirmed, would suggest that all clothing entrepreneurs' networks should be similar in the make-up of bridges, bonds, and linkages that constitute their surrounding social network, because they all are part of a globally-sensitive sector. Although the data does illustrate similar relationships existing in the networks of clothing entrepreneurs, the data does also reveal exceptions to the rule. In contrast to possessing extensive collaborative and communal bridges with entrepreneurs of different lines of business or strong outsourcing bridges with immigrant entrepreneurs, one clothing entrepreneur's network consisted of no more than peer bonds and close family members. Another subject's network similarly consisted primarily of familial and peer bonds with one prevailing regional bridge, but a dearth of corporate assistance bridges or public incubator linkages typical of these emerging firms' networks. What could explain these distinctions?

The exceptions mentioned above both share a particular characteristic – they both describe firms less than a year old. Hence, the following analysis proceeded to explore whether firms within similar phases, as marked by their age, would also possess similar relationships in their networks. In other words, can network diversity be explained by business phase?

According to the Global Entrepreneurship Monitor, the international consortium for entrepreneurial research, entrepreneurial development is segmented in critical phases. After the conception of the business, the *early stage of entrepreneurial activity* – as the GEM refers to the first 3.5 years of a firm's development is characterized by two particular stages (Herrington et al,

2009). The *Nascent Entrepreneur* describes the period in which the entrepreneur is setting up their business. This phase is then followed by the *New Entrepreneur* phase, in which the owner or manager of the new firm persists and remains up until 3.5 years of its growth (Herrington et al, 2009). After the new firm has proven its fortitude through its first three years of existence, the firm is then considered to be an *Established Firm*, and to enter into the next stage of development, no longer characterized by early-stages of entrepreneurial activity. Rather - generally proceeding 3 years of existence - it is now considered a mature firm,

The following analysis defined business phases roughly framed by the GEM model. This analysis was conducted to see which relationships served prominent in the life of small firms during certain phases of their development and if those prominent relationships were the same or different across small firms of different economic sectors. The business phases were measured as follows: firms that are less than a year to a year old from the date of their registration (*nascent firms*); firms that are more than one year to three years old (*new firms*); and firms that are more than three years old (*established firms*).

Small firms were categorized according to their phases based upon their firm age. Qualitative data generated from each interview was then coded to inspect for the prominent relationships within each phase as defined by the frequency of communication with and the value drawn from their bonds, bridges, and linkages. The findings of the analysis are as follows.

Figure 19: Network Diversity by Business Phase

Manufacturing-Clothing				Services		
Nascent Entrepreneurs 1 Year and Less	Entrepreneurs of New Firms 1 – 3 years	Entrs. of Established Firms, 3+ years		Nascent Entrepreneurs 1 Year and Less	Entrepreneurs of New Firms 1 – 3 years	Entrs. of Established Firms, 3+ years
Peers Mentors Familial Bonds	Peers	Mentor (to others)	Similar Business	N/A	Peers	Mentor(to others)
N/A	Communal Exchange	Collaborative	Different Business	Collaborative Outsource	Collaborative Outsource	Collaborative Outsource
N/A	Corporate Assistance	Corporate Client	Larger Business	Corporate Client Mentor	Corporate Client Mentor	Corporate Client
N/A	Public Official/ Public Incubator	Public Agency	Government	Public Incubator	Public Agency	Public Agency
N/A	Outsource	Outsource	Immigrant			

The chart highlights relationships with similar, different, and larger business and government in that these are the entities which entrepreneurs reported to communicate with most frequently and to be of significant value to their business. Immigrant entrepreneurs were also listed to note their prominence in the network diversity of clothing entrepreneurs.

The chart suggests that network diversity structure of small entrepreneurs in South Africa do vary over the course of their business development phases between the two sectors. Clothing entrepreneurs appear to have a more dynamic network than service entrepreneurs in that the diversity of their relationships appear to change more dramatically from phase to phase than that of service entrepreneurs.

Nascent Entrepreneurs (1 Year and less) The data suggest that from a very young business age, service firms are seeking to make headway into the industry by formulating ties with larger businesses. These larger business play a critical role in offering a small firm their first job via

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sub-contracting small firms in order to complete particular tasks or outsourcing certain parts of a particular venture to them, Hence the young service entrepreneur sees the corporation as not only a potential client, but also as a mentor to guide the young firm towards making their name in the field.

At this stage, service entrepreneurs are in the process of cultivating relationships with different businesses, recognizing their potential value in adding a specialized contribution to a certain project which the small service firm at the time does not possess the skill or resources to perform itself. To a lesser extent, relationships with entrepreneurs of a different line of business also serve to provide critical business development information and services as would be typical in an exchange bridge relationship.

Government would be the source of public incubator linkages. Different public-sponsored business development programs – especially geared towards certain industries such as construction – are vital sources of information with capacity-oriented value. Several would provide industry specific consulting.

In contrast, small clothing manufacturing entrepreneurs, during these initial stages, have a relatively small network to pull from. Most often initial resources and references are from family members and familial connections. Outside of family, fellow clothing entrepreneurs whom were met during days of training or early exhibitions comprise the great bulk of the small entrepreneur's network. Mentors also play a prominent role, under which the small entrepreneur serves as an apprentice and gains initial exposure to the business side of the industry.

Peer and mentor bonds for service entrepreneurs during this nascent entrepreneurial phase do not appear to be as prominent as those of the clothing manufacturing sector. Indeed, very young service entrepreneurs expressed appreciation for knowing similar firms; nonetheless,

the interactions were characterized mostly by light conversation and friendly bantering of little value – so entrepreneurs would admit – to their venture’s development,

Entrepreneurs of New Firms (between 1 and 3 years old) Relationships with large businesses continue to be a strategic aim for service entrepreneurs. In this phase, some service entrepreneurs have succeeded in landing sub-contracting jobs with large companies or acquiring outsourcing opportunities with corporate clients. At this point in a service firm’s development, public agency linkages become more paramount, where government institutions serve as clients for small service firms as well. Either by receiving a government tender or being placed on a government database, by which firms of particular services are consulted when their specialization is needed, the entrepreneur of a new service firm positions themselves to take advantage of the business opportunities which government offers.

To achieve some of these jobs, the data illustrates that service entrepreneurs may consult with or hire other firms of specialized skills to perform specific roles within the production of the larger project. This arrangement- primarily with different entrepreneurs - were sought to help expand or enhance the service, and resemble outsourcing and collaborative relationships. In this regard, the relationship between service entrepreneurs and entrepreneurs of a different line of business is comparable to that between a small clothing manufacturer and immigrant entrepreneurs in this new business phase.

Peer bonds for service entrepreneurs of a new firm again are relationships of relevant but light value. Some service entrepreneurs expressed their appreciation for firms within the same industry with whom they could express their frustrations and trends of the business. Others referred to the motivation that comes from competition, and highlighted how innovation and

performance of similar firms within the field can inspire them to set more ambitious goals. These dynamics were considered valuable to their entrepreneurial experience, although little mention was made of firms actually interacting with or having a relationship with one another.

Clothing manufacturing entrepreneurs within this new business phase, on the other hand, appeared to cultivate a corporate assistant – rather than corporate client- relationship with larger firms. At this stage, many small entrepreneurs are beginning to introduce to their talent to the broader market of design and fashion. Several spoke to being catapulted into the public via fashion shows, competitions, and exhibitions – which many times were sponsored by large corporations. In some cases, entrepreneurs who won corporate-sponsored competitions, would garner prizes in the form of money, equipment, media publicity, and international exposure. In this stage, entrepreneurs of new clothing firms were not so much providing a service or good to the corporations – as in the case with their service counterparts – as much as they are being assisted from the opportunities and resources that the corporation sponsors.

As for government relationships, public official linkages – rather than public agency linkages as in the case of new service entrepreneurs - served to be the most prominent during this development stage of new clothing entrepreneurs. According to the data, exposure afforded to them via casual connections made with a high profile government officials and spouses provokes references and requests from within high caliber social circles. This development, in turn, offers high-return production, effective marketing, and an expanding clientele.

New clothing manufacturing entrepreneurs now begin to see the need to amplify their professionalism and brand, and begin to seek business development assistance, provoking the cultivation of public incubation linkages. New entrepreneurs work closely with government

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agencies such as Umsobomvu or public-partnering independent organizations such as The Business Place in order to better understand the business side of the clothing industry.

Entrepreneurs of different businesses contribute significantly to creating a space within which creativity flourishes and artists are inspired by each other's work and talents. In this regard, communal bridges are highly valued relationships during this phase of a new firm's shaping of its business identity. Interaction with different types of firms lends to increased experimentation with new synergistic ventures while also creating a safe space within which these new partnerships can be formed and tested. Exchange relationships are also useful as new entrepreneurs draw useful information from other types of firms about the intricacies of running a business.

Unlike the network of service entrepreneurs, peer bonds appear to play a more critical role in the network of new clothing manufacturers. New clothing designers and manufacturers look to each other for useful information pertaining to opportunities for exposure, affordable materials, and the transfer of knowledge pertaining to certain skills and techniques.

Entrepreneurs of Established Firms As both types of small firms mature, the data suggest that their surrounding network begins to resemble each other in terms of cultivating similar types of relationships with larger businesses and government. Both service and manufacturing entrepreneurs in their established firm phase target larger firms as potential clients. Service entrepreneurs continue on their quest to land strong sub-contracting relationships, build a strong reputation in the industry, and in turn, increase their chances for upcoming tender and outsourcing opportunities. Similarly, clothing entrepreneurs now begin to expand their production activity and diversify their business by welcoming the challenge of mass

production for large corporate clients. Service and clothing manufacturers also would seek public agency linkages in order to also obtain opportunities to perform big jobs for government agencies.

Regarding relationships with entrepreneurs of different lines of businesses, service entrepreneurs continue to value such firms through collaborative and outsourcing relationships. Similarly, clothing manufacturing entrepreneurs of established firms also benefit from collaborative relationships with different businesses and outsourcing relationships with immigrant entrepreneurs by which they take advantage of new and larger opportunities.

Non-Prominent Relationships Both service and manufacturing small entrepreneurs appeared to have infrequent, non-valuable, and in some cases non-existent relationships, with the financial institutions, entrepreneurs in other South African provinces, and entrepreneurs outside of South Africa. These relationships are referred to as financial linkages, and regional and global bridges.

Exceptions to the norm, however, persist with each relationship type. One of the service entrepreneurs, specifically in the health and beauty industry, garnered her initial start-up capital from an investor who owned a day spa and had learned of her talent from raving clients once she branched out to start her own new firm.

“...he bought eh, I wouldn’t say a spa, but like a day clinic to work in. And, uh, I worked on my own already. I worked for myself like – I only worked for somebody a year after graduating... So he said, ‘you know what? I will invest in your dream. I’ll get 30% of the shares, of the overall 100%. But set-up, your ideas, your plans, go ahead. I’m here with God and taking you through.’ So, yeah, it took us about six months to set up. “ ~Ts

This small entrepreneur’s investor was connected to her via references of her clients. Hence, the data raise pertinent questions regarding the exceptional conditions under which a

small entrepreneur can source financial capital from external investors. Considering that the entrepreneur had already initiated her own venture and was self-employed by the time the investor caught word of her and proposed to provide the initial start-up capital, an emerging hypothesis may propose that financial linkages actually proceed – rather than precede – a certain level of business progress and development for small firms. Such a proposition would confirm aforementioned findings, highlighting entrepreneurs’ reference to formal funding as an indicator – rather than a catalyst – of their firm’s development.

Regional bridges also appeared bleak in the network structure of most small firms interviewed. Most regional bridges were identified to be family members with small businesses in other provinces. In turn the value that such firms offered was deemed as potential business opportunities in other provinces, if any at all. Generally, however, their contributions to entrepreneurial development were considered very small. In one exceptional case, however, a nascent clothing entrepreneur reports the discovery of a unique business development opportunity in a province on the other side of the nation which provide her the initial platform to display her wares within a store setting. She explains more below:

“The only contact we have, it’s only one contact, the one that is in Cape Town where we take our clothes... because it’s like a shop. There are so many , it’s a huge shop, it is a big shop, that they invite various designers who are interested to showcase their clothes there. They just want to showcase their clothes and then they invited us. And so, I take my sister actually, the one who is London, she called me, and said there is, uh, the designers are going to invite us, um, to showcase their clothes – of someone is interested, just contact those people so that they can showcase their clothes there. So, I, I saw that as an opportunity –“ *-Thd & Si*

An anomalous connection made, these particular conditions suggest propositions as to how such a valuable regional bridge would be made. Note that the mode by which the contact was found and communication was established was via the internet. The organization which

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displays emerging fashion designers clothes in Cape Town was discovered by a vital global link – and interestingly, a family member – who, via the internet, was able to conduct the research for her sisters and recommend the connection. The sisters themselves facilitated the connection and learned more of the organization via the internet. Hence an emerging hypothesis is that small entrepreneurs with consistent access to the internet are most able and likely to formulate relationships with entities in other regions and even in other parts of the world. In other words, regional and global bridges – which facilitated intra- and inter-regional integration- are postulated to be a function of the country's telecommunication infrastructure and small economic actor's consistent access to it. This proposition would be supported by previous interviews of entrepreneurs who reveal that they are not able to establish contacts in other regions because of their lacking access to the internet.

In summary, the analysis leads to the hypothesis that variation in network diversity across firms may be explained by the business phase of the firm's development. Between the two sectors, firms' networks in their nascent and new business phases differ and gradually resemble each other more as they approach their established business phases. Within each sector, network diversity varies across business phases more for clothing manufactures than service firms. As the literature suggests, business phase is a worthy variable of deeper analysis in understanding the conditions by which network diversity changes. As firm size is also a readily mentioned variable, the analysis will now focus on the distinction between firms with and without employees as an explicatory variable.

In summary, the analysis suggests the following, and fourth, hypothesis of the study.

Hypothesis 4: Network diversity varies among firms of different business phases across the different sectors.

4.5.3 Hypothesis 5: Economic Sector and Firm Size

The data analysis suggests that network diversity structure - and hence, value – could vary by business phase between the two economic sectors. As for the size of the firm, often distinguished between large corporations and small businesses, the empirical studies suggest that a difference in network structure does exist across such firms. Abigail Barr's (1995) study for example, provoked the initial query that inspired this study because of the strong assertion that networks for large business in Ghana provide value of innovation in contrast to those of smaller firms, which are security oriented. Can a similar assertion be made for small firms of different sizes? The set of twenty-four entrepreneurs interviewed is comprised of twelve who have no employees at all. The analysis will refer to them as micro-entrepreneurs so as to distinguish them from the other twelve who have from 1 to 10 full time employees.

In inspecting the data, the relationship between the size of the clothing firm and the structure of its network seems inconclusive. Clothing entrepreneurs with no employees range from some who have no other entities in their social network other than close family and friends to others having acquired corporate assistant bridges and public official linkages through their participation and exposure in competitions and exhibitions. Similarly, clothing entrepreneurs with employees appeared to vary in composition as vast as those of micro-entrepreneurs. Firms which did have employees did not appear to have a greater diversity of relationships than clothing micro-entrepreneurs. Both groups fervently cultivated relationships with entrepreneurs of a different line of business or immigrant businesses, for example. The data did suggest, however, that small firms with employees are more likely to cultivate the corporate client bridges and public agency linkages, which facilitate small firms' mass production for large companies, both private and public.

Interestingly, the relationship between the size of the firm and business phase warrants more investigation. Generally, not all micro-entrepreneurs are firms in their nascent stages. Firms from less than a year to 8 years were micro-entrepreneurs. These single entrepreneurs would periodically hire temporary help to assist with certain projects. On the other hand, relationships such as corporate client bridges and public agency linkages were possessed mostly by larger clothing entrepreneurs, who also happened to be in the established firm phase. In this regard, further analysis is needed to examine at which point firm size and business phase may correlate for it is possible that at a certain points of network development, the phase of the business may better explain the variation of its network then its size since size may remain static over many years despite the dynamic changes that a firm is going through. This finding raises questions as to whether or not size is the most useful criteria in distinguishing small firms from one another. Furthermore, other definitions of size may also lend to different outcomes in the analysis.

For service entrepreneurs, the relationship between firm size and network diversity differs a bit from that of clothing entrepreneurs. Firms of no employees have very nascent networks – particularly in the construction and public relations and media industries. For service micro-entrepreneurs, many of the relationships within their networks were in their formative stages, and were pursued because of their potential for entrepreneurial value. On the other hand, small firms with employees appeared to have more solid relationships, especially with government and larger businesses. For this group of service entrepreneurs, corporate client bridges and public agency linkages seem to be the most prominent.

In contrast to the clothing entrepreneurs, the size of service firms seems to correlate with the age of the small firms. The data shows, that except for a few, most service firms who have no

employees were also very young, within their first year or two of being set-up. The others who do have employees are largely within their second year and up. In the case of service entrepreneurs, then, size may pose as a possible variable that explains network variation. However, as suggested with clothing entrepreneurs, empirical investigations would have to take into account the probable correlation with business phase so as to distinguish which variable is of true explanatory value. Hence, the tentative hypothesis is formed that the size of small firms- as measured by number of employees, may better explain network diversity for service firms than for small clothing manufacturing firms. Nonetheless, the hypothesis also notes that, in explaining network variation, firm size may actually be a function of business phase, rendering its explanatory value of network diversity in need of further investigation.

In summary, the analysis suggests the following hypothesis:

Hypothesis 5: Network Diversity differs across small firms of different sizes in the service sector more so than in the manufacturing sector, although firm size may not significantly explain variation in network diversity overall due to possible co-variability with business phase.

4.6 THE MODEL OF NETWORK DIVERSITY VALUE:

INTEGRATION OF CATEGORIES VIA APPLYING THE PARADIGM MODEL

A significant step in grounded theory analysis is that of the selective analysis. During the first two steps of grounded theory analysis – open coding and axial coding – the researcher derived well-developed concepts – or categories - of theoretical richness. Categories should be well framed in terms of their multiple properties and dimensions, providing variation to the concept, and increasing its use in explaining certain phenomenon. (Strauss and Corbin, 1990)

Most importantly, the core category is identified at this stage of analysis. The core category represents the central phenomenon, or theoretical idea, which the research attempts to explain. Furthermore, the core category is the central idea around which all other categories developed are integrated. In integrating these other categories, the selective analysis serves to formulate the broader ‘story’ of the core category, and the prevailing framework of a possible set of conceptual relationships to be further validated and to serve as building blocks for a future theory. (Strauss and Corbin, 1990).

As explained in the previous chapter, other categories are connected to the core category using the paradigm model. The categories derived from the data of this study are as follows:

- *Condition:* Entrepreneurial Identity
- *Core Phenomenon:* Network Diversity Value
- *Context* Network Diversity Structure
- *Intervening Conditions:* Breakthroughs
- *Actions/Interactions/Strategies:* Network Restructuring
- *Consequences:* Entrepreneurial Progress

The following section attempts *to tell the story* of Network Diversity Value by integrating the other categories into the core category using the Paradigm Model. It is worth noting the primary objective of this study was to understand how entrepreneurs perceive the value of their networks, and not necessarily to explain entrepreneurial progress. Nonetheless, *breakthroughs, network restructuring, and entrepreneurial progress* were concepts which also emerged from the data and fit into the emerging model, to be further explored by future studies and hypothesized to better understand their relationships as the first three categories – which are the focus of this study – were explored.

4.6.1 Condition: Entrepreneurial Identity

The **condition** of the core category is Entrepreneurial Identity. The condition of the paradigm model refers to the event or characteristics that cause the core category to take place (Strauss and Corbin, 1990). Hence, the relationship between condition and core category presented here is that an entrepreneur's identity – whether it be their economic sector, business phase, size, or any other characteristic- largely informs the relationships of which an entrepreneur's network is comprised and the value gained from the relationships.

From the analysis, one can safely conclude that network diversity structure, and in turn, the value sourced from the network's diversity, vary across different groups of entrepreneurs. 'Groups' can be characterized by multiple properties. Ultimately, data analysis suggests that social networks are not to be the same for all small entrepreneurs simply by virtue of their size, but rather, they vary based upon dimensions of an entrepreneur's identity. This study particularly highlights the property of an entrepreneur's identity in terms of characteristics such as their economic sector, their business phase, and firm size. The analysis above illustrates that these various traits, among many, may be contributing factors to the variation in relationship types in a network's diversity and the variation in the value of the network to the entrepreneur. Hence *entrepreneurial identity*- referring in this case to specific qualities but open to include other variables- is a prevailing concept or category in this study, which serves as the initial condition(s) by which entrepreneurial network structures are shaped.

4.6.2 Core Category: Network Diversity Value

The **core category** of this study is Network Diversity Value. The study seeks to better understand *how entrepreneurs believe the diversity of entrepreneurs' social networks contribute to their entrepreneurial development*. In other words, the purpose of the study is to understand the perceived value of network diversity to the development of small entrepreneurs in Johannesburg. The grounded theory analysis aims to unfold the 'story' of entrepreneurial value drawn from the diversity of a small businessman or woman's social relationships.

4.6.3 Context: Network Diversity Structure

The **context** of the core category is Network Diversity Structure. The context describes a certain set of properties associated with the central phenomenon and provides the parameters within which certain actions are taken in reference to the core category (Strauss and Corbin, 1990). The Network Diversity Structure describes the components of a network – in terms of the relational types, numbers, and prominence – which would describe the structural context that determines the value drawn from the network. Hence, the variation of these properties can inform an entrepreneur's decision to take certain network-related actions that could influence their entrepreneurial development, such as forming new relationships to acquire needed resources; becoming enabled to accept new opportunities due to certain relationships and the value they provide; or increasing the number of certain relationships to receive more of a certain value.

4.6.4 Intervening Conditions: Breakthroughs

In the grounded theory analysis, the intervening conditions refer to the *broader structural* aspects of the entrepreneur's environment which affects his decision-making in maneuvering his business. A *breakthrough* describes an occurrence or incident that either catalyzes or hinders an entrepreneur's development. Often times the occurrence has a definite starting and ending point, and it serves as a critical point of transition as it presents new actors, pressures, opportunities, and challenges that the entrepreneur must now maneuver through.

Clothing entrepreneurs, for example, commonly mentioned a distinct opportunity within which they were able to debut their talent in the market and before members of the clothing community. This major step often took place in the form of entering a fashion show, exhibit, or competition. Large corporations such as media tycoons of SABC or South African Brewery, sponsor large events or competitions which these aspiring entrepreneurs enter in hopes of outdoing their peers and receiving rewards that will further their progress. Entrance into these competitions and exhibitions alone displays the entrepreneurs' work before large spectators and professional critics as well as established clothing designers. Superior work would receive cash prizes and committed technical assistance to the entrepreneur's organizational development and production capacity. In some cases, entrepreneurs would win trips to other countries to participate in their fashion shows.

"That's how I started, around '99. Ehhhh, I had a second competition of SAB entrepreneur. South African Breweries and it was a kick-start program... And then I phoned them. I entered the competition. It was a mentoring. They will teach you how to do the business plan, to formalize the business, whereby you have to register. Eh, fortunately, uh, I won. I won the prize of a second, a second – yeah,

I have a second prize for this young, up and coming – this promising entrepreneur for Gauteng. That was 2002. Then I won R20,000, which I used to buy... I bought, I bought all the assets, like the industrial machines, and..." ~*M*

"So when they short-listed and then I was one of the top ten, uh, selected to enter the show, I entered the show ... and then I was one of the top three that won the show. I won the second with the collection...category. Then I pursued...well, I started working for myself, I realized that, you know, this could work....I won a trip to Paris to go as part of my package for the fashion show, like it was quite good a, a, a, prizes...and the response was quite positive towards our clothing. And then, mmmmm, then I started working for myself, entering into many shows, and then ever since, I've just been doing my own stuff." ~ *H*

The entrepreneur below describes the breakthrough in her business upon successfully completing a risky, high-value garment order by a high-end client in the community.

"And I would start getting orders for suits, and the first wedding dress I did was in 2003. And I was just taking a chance to be honest. And believe me, I cracked it. And that was the first R6000 I made. That was the happiest day of my life." ~ *Tu*

Member of industries from the service sector would express similar experiences of breakthroughs in establishing their business. Comparable to clothing entrepreneurs, these critical moments would affirm an entrepreneur's superior skill -or the originality and marketability of their service- by which they would gain special opportunities and attention. In turn, they would be exposed to new actors, information, and business conditions. For service entrepreneurs – such as the beautician highlighted below - competitions served as a means by which to exhibit superior talent and mark one's place in the industry. Moreover, however, accomplishing a difficult project before a demanding clientele – as conveyed by the young public relations entrepreneur below, also served as a integral turning point in validating a small firm among large competitors and securing his first event-planning 'gig' for his client Umsobomvu.

“ It (*number of contacts*) broadened when I joined L’Oreal, yeah, because I would call them for workshops, and bigger things – like maybe a hundred people under one room... First year, I just scooped – we were heading in Santon- Television of the Year in Santon- and... the first year, R25,000 in cash...My first year I was there. A first woman ever hired by L’Oreal under hair technical, and I scooped the prize as well.” ~ *Th*

“I had a concept as to what it was that I wanted...I sent through a business proposal. Two months down the line they liked it. I met the manager, and I made a presentation as to what it is that I want...I wanted to create a platform where people could meet - it’s some sort of networking sessions and all that. But through talking to Umsobomvu people, I could see what it was that I wanted. Then we did the proposal document, which we referred to the management, and then, they agreed with it.” ~*K*

Whether through competitions or landing a high-profile client, either accomplishment builds the confidence of small entrepreneurs as well as their clientele. From this point, constant referrals and biddings for their services increase demand and spark entrepreneurial activity. At this point, the firm – whether informally or formally - has now begun to operate at a higher intensity and is expanding in its visibility and clientele.

4.6.5 Actions/Interactions Strategies: Network Restructuring

Entrepreneurs were asked to describe their entrepreneurial story – how they progressed from their early days of mere interest or passion to their present day as leaders of small businesses. From their narrative assertions were drawn that the diversity of their network changes over time in order to respond – and form - dynamic conditions of the business process. This concept is

termed network restructuring, and is considered a means by which entrepreneurs both facilitate change in their business as well as manage to change in their broader environment.

In response to breakthroughs and other critical turning points, entrepreneurs' narration of their businesses progress suggested a resetting or adjustment of the combination of bonding, bridging, and linkage relationships within their social network. Their story implied that over time, relationships vary in prominence. Relationships which may have been prominent at the beginning of their small firm's growth and served as a vital source from which small entrepreneurs gain different orientations of value towards the development of their business, may later have become less important. Hence, the diversity of social networks is far from static, but rather, is very dynamic.

Passion serves as a prevailing condition for network restructuring. Passion is manifested in a driving desire to be expressive of one's long-loved talent; to fulfill childhood desires, and to by becoming one's own boss.

"From...as much as, as far as I can remember, I was a young girl – like little kids, always wanting to be a fashion designer. It was forever – like if you ask me, 'What do you want to become' – 'Fashion designer.'" ~ *H*

"As in back in highschool, I've always known I had a passion for drawing and fabrics and all that. And after matric, I decided – I didn't even decide. I just landed myself in a fashion class." ~ *T*

"I always say, for me, basic and what I live for, I need my freedom. For me, [*name of the business*] is my freedom. It's doing what you love, doing your passion." ~ *W*

Hence, passion serves as a source of momentum, and an initial impetus which spurs entrepreneurs' first steps towards building their business, and additionally, the relationships needed to sustain it.

In reference to *maintaining* a dynamic network – a circle of relationships which are ever-changing and responsive to the changing conditions of an entrepreneur- passion continues to serve as a source of a problem-solving attitude, perseverance, and drive. Entrepreneurs apply these traits in times of crisis or world-changing events to form or manage the different relationships that were needed to adequately deal with the new developments.

“Ah, but before that, I started in Clothing Design and Technology at the Technikon, ah, the year 1993 and 1994. But I could not finish my diploma due to financial constraints. But because I had the passion of what I am doing, the passion of clothing, the passion of designing, of fashion, then I pursued.” ~ *M*

“Oh, the passion, eh? Ahhhhh, that’s the , that’s the funny thing... Because every time when you get shut down or you go to some place like Umsobomvu,” Oh, we can’t give you money.’ And you just say, “Okay, I’m going to give up this time.” But then you say, “But no, let me try another way. I’m just going to try to dream better myself, try newer, and try this and try that.” ~ *N*

Passion provokes a sense of innovation and strategic thinking to respond to unanticipated challenges or new opportunities. In response to these conditions, or so as to create them, new relationships may develop by which entrepreneurs are able to source the needed items and information of value to address the new situations. So as to now make their business more credible and formal after a successful debut at a highly visible exhibition, entrepreneurs may adopt a new strategy of attending courses or applying for subsidized services through business development organizations, such as Umsobomvu, which would spur and cultivate Public Incubator linkages. After landing their first high-scale event planning job, entrepreneurs may then aim to solidify relationships with other entrepreneurs who can be called upon in the future to make future events distinct and successful, cultivating new Collaborative or Exchange

relationships. With the introduction of new relationships, or the adjustment of existing ones, the network diversity structure and the resulting value drawn from the network's diversity, changes.

In the grounded theory analysis, close scrutiny of the data can also illuminate consistent changes in conditions which also then provoke changes in actions or interactions, or the other way around. If changes are “strung” together to suggest a progressive movement of activity, grounded theory refers to this movement as *process*. Process is another component of theory-building involved in the grounded theory analysis, and helps to account for gradual change over time to better understand the themes of development, social mobility, immigration, or historic events (Straus and Corbin, 1990). Further exploration into the evolution of network composition – such as during different business phases of a firm – can further elaborate upon the nature of actions and interactions involved in the restructuring of an entrepreneur's network.

4.6.6 Consequences: Entrepreneurial Progress

To derive grounded concepts of *progress*, entrepreneurs were asked 1) ‘*How would you conceptualize entrepreneurial success?*’, and 2) ‘*What are the indicators of a business performing well?*’ These questions were asked so as to deem what positive entrepreneurial development looks like, and to offer a working set of measurements for entrepreneurial development for future studies that are derived directly from the expressions of entrepreneurs themselves. From entrepreneurs' responses to the query concerning how they conceptualize entrepreneurial success, seven concepts were derived. They are described in terms of the actions mentioned to lead to them and the consequences of these actions.

1. Financial Viability Financial viability was noted as an indicator of a small business performing well. Necessary actions involve cultivating financial literacy and skills and generating a consistent stream of revenue. Consequences of these actions were positive, or at least, balanced accounts and the increased ability to secure access to formal funding in the future.

2. Good Customer Relations Good customer relations were also believed to be an indicator of good entrepreneurial performance. Behaviors that result in good customer relations are punctual delivery, concern for the customer's interest and satisfaction, quality workmanship, and strong interpersonal skills. Such actions result in the credibility of the business and a committed client base. Long term gains could manifest in referrals to others and secured revenues.

3. Effective Brand Building Brand building was also noted as being an important indicator of entrepreneurial success. Effective brand building was characterized by the ability to become a mainstream product which the mass consumer base would consider essential. Furthermore, entrepreneurs mentioned the importance of leaving behind a legacy which would sustain the generations following them. Strong brand building developed a name and reputation that was known beyond the identity of the owner. Moreover, entrepreneurs expressed ambitions of cultivating a company image, with which all society would be familiar even if they did not know the owner. Ultimately, brand building was believed to result in ensured long life for the company.

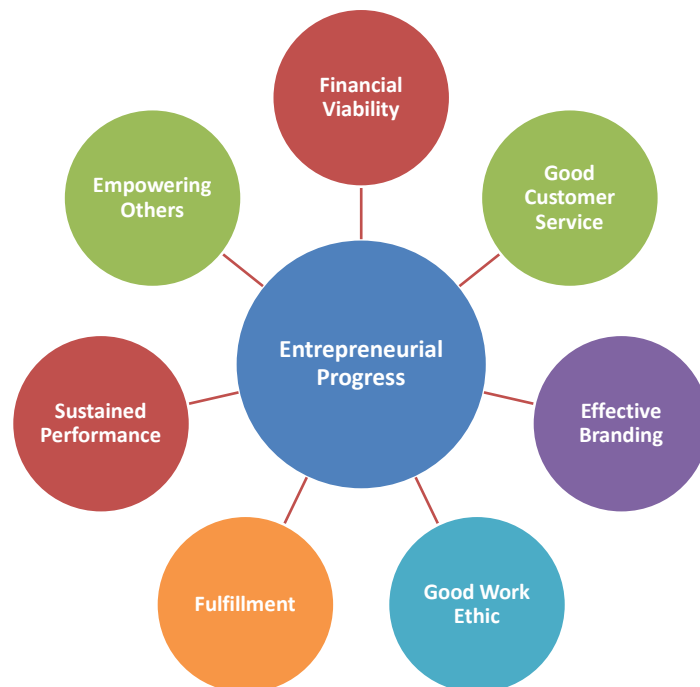
4. Good Work Ethic A small firm of good work ethic is characterized to be one that is hardworking, disciplined, persevering, and organized in their approaches to production. Furthermore, the company reflects a unified staff, where people work energetically and enjoyably with one another. Staff interactions are familial and caring in nature. Humility was a unique attribute mentioned, where entrepreneurs highlighted the value of remaining grounded despite money earned. Good work ethic results in admiration from important stakeholders in the industry and other sectors as well as an upstanding reputation for high-standard professionalism. Such a positive image could attract more clients, resulting also in generating revenue.

5. Fulfillment Fulfillment, as explained by the entrepreneurs, refers to the successful pursuit and acquisition of goals that one has set for him or herself. Despite the wealth earned or the status built, entrepreneurs emphasized the greater importance of achieving one's vision, dream, mission, or ambitions that serve as the core reasons for the business's establishment. Hence, it is very important to note that fulfillment is not contingent upon material gain alone. Entrepreneurs prioritized enjoying a content and peaceful life which money alone cannot produce.

6. Sustained Performance Some of the entrepreneurs mentioned sustained performance as an indicator of positive business activity. An entrepreneur distinguishes himself as he is able to gradually build a sustainable and consistently expanding venture from nothing more than an idea. Entrepreneurs who stress the value of a business which can withstand the test of time, and despite changing or threatening conditions, remains operative and possessing the potential to grow.

7. Empowering Others In a society of prevailing unemployment and social and economic poverty, entrepreneurs spoke to the need of using the opportunities their business provided to edify their people. Actions of empowerment included the training or mentoring of promising individuals with talent and ambition, but limited means. Entrepreneurs identified themselves as people in strategic places who could help push younger talent to its highest potential. Providing jobs and experiences for the willing and able was also a noted action of people empowerment. Moreover, providing inspiration for the young black population of South Africa could provoke a sense of confidence by which young people could boldly pursue opportunities awaiting them, and hence, was also considered a form of empowerment. The consequences of these steps would be community development and poverty alleviation.

Figure 20: Conceptual Framework for Entrepreneurial Progress

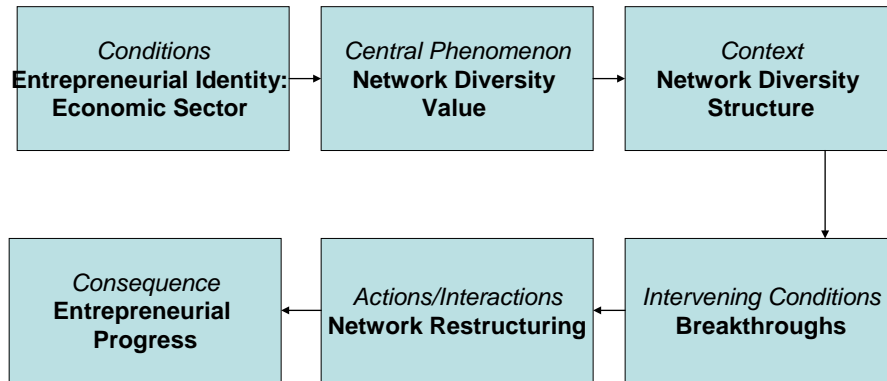


4.7 THE MODEL OF NETWORK DIVERSITY VALUE–

TELLING THE STORY

This section attempts to summarize “story” of the central phenomenon. As is the goal of the grounded theory analysis, the emerging theory derived from the analysis articulates the relationships of the categories to the central phenomenon. In order to tell the story, this section highlights the end result of the selective coding step of the analysis where the *paradigm model* is used to connect other categories derived from the data to the central category. The central phenomenon is *Network Diversity Value* and the *paradigm model* analytically defines the relationship between categories so as to develop an explicatory framework of network diversity value. The layout of the model is as follows (Strauss and Corbin 1998):

Figure 21: Theoretical Framework of *Network Diversity Value*



The network structure of small entrepreneurs differs in the types of relationships, the number of certain relationships, and the prominence of the relationships depending upon the entrepreneurial characteristic that distinguishes the firms from others. The varying combinations of relationship types, numbers, and significance create the relational context within which an entrepreneur is situated and operates. This relational context, the entrepreneur's social network, is comprised of a hosts of entities and the web of ties that connect them to one another. The network offers a variety of resources deemed valuable depending upon the entrepreneurial characteristics which indicate the conditions the small firm will encounter in their aspiration to develop.

Occasionally small entrepreneurs will have breakthroughs in their entrepreneurial development- incidents or occurrences that open up new opportunities or challenges which the entrepreneur must manage, create, or solve in order to progress. The entrepreneur then takes action to adjust the diversity of the network – forming new relationships or altering the

prominence of existing ones – so as to respond to or provoke new conditions. If harnessed and adjusted well, networks can serve as conducive grounds to the entrepreneur's progress.

The primary hypotheses of the Network Diversity Value Framework are stated below:

Hypothesis 1: Network diversity structure differs between small entrepreneurs of the manufacturing and service sectors.

Hypothesis 2: Network diversity value differs between small entrepreneurs of the manufacturing and service sectors.

Hypothesis 3: Network diversity varies between entrepreneurs of different sectors due to the sectors' different levels of vulnerability to global imports.

Hypothesis 4: Network diversity varies among firms of different business phases across the different sectors.

Hypothesis 5: Network Diversity differs across small firms of different sizes in the service sector more so than in the manufacturing sector, although firm size may not significantly explain variation in network diversity overall due to possible co-variability with business phase.

5.0 DISCUSSION AND CONCLUSION

5.1 REVISITING THE RESEARCH QUESTION

How does the diversity of small black entrepreneurs' social network contribute to their entrepreneurial development? The results of the grounded theory analysis provide the following insights in approaching an answer and testable hypotheses for future studies.

a. The diversity of relationships with small entrepreneurs' social networks appears to provide benefits of four orientations of value towards their entrepreneurial progress. These orientations of value are referred to collectively as *Network Diversity Value*. The value gained from certain relationship types could be:

Capacity-oriented, referring to information and resources that assist an entrepreneur in increasing their production capacity so as to determine how and how much they are able to produce.

Innovation –oriented, describing resources and information that equip the entrepreneur in creating new products or services by which they stand out among their competition and effectively respond to the preferences of their clients.

Leadership-oriented, speaking to the resources that enhance the personal and professional ability of an entrepreneur to manage effectively, to remain inspired in pursuing the vision of their entrepreneurial progress, to persevere in turbulent times, and to empower others.

Customer-oriented, referring to the information and resources that expose entrepreneurs to new markets and connect them to new clientele.

b. The value gained from different relationships, and as well as the primary contribution of the total network's diversity to the entrepreneur's progress, is further shaped by the relational context within which this value resides. This context is referred to as *Network Diversity Structure* and is characterized by

- the types of relationships within which the entrepreneur is embedded,
- the number of each of these relationship types, and
- the prominence of the relationships to the entrepreneur.

These three properties collectively constitute the structure of network diversity – or *Network Diversity Structure* – and serve as the context within which the value from social networks is gained.

c. The structure of – and the value drawn from- the diversity of entrepreneurs' social networks varies across two prevailing conditions, as highlighted in this study.

In general, it appears that the network of clothing manufacturing entrepreneurs possessed more diverse relationships than that of the service entrepreneurs. The following section will compare and contrast the primary relationships – in terms of those relationships of highest value and those most frequently communicated with – in the networks of entrepreneurs of both sectors.

Initial Condition: Entrepreneurial Identity The analysis found that network structure did change in some regards across sectors. Those groups were clothing manufacturing – as represented via the clothing industry- and services – as represented via the construction, health and beauty, and media and public relations industries. The primary points of comparison are as follows:

- Relationships that differed in prominence:

Peer Bonds, or close relationships between the entrepreneur and similar businesses, were those of which many clothing entrepreneurs had several contacts and with whom they communicated frequently. Service entrepreneurs reported to not confiding too closely with like businesses, unless more in a mentoring capacity, and viewed them more as competition which drove them to work and innovate even harder.

Public Agency Linkage was a relationship that served to be more prominent in the social network of service entrepreneurs than clothing manufacturers. Linking with public agencies served to be more prominent in social networks of established clothing entrepreneurs who sought to diversify their business activity by manufacturing bulk orders of corporate wear for government agencies. Nonetheless, service entrepreneurs – particularly those in construction- reported of the importance of being registered on government databases or receiving clearance so as to be consulted for business opportunities in the future. Most entrepreneurs from both groups, however, highlighted the advantage of knowing someone in the government sector so as to gain government business.

- Relationships which did not exist (from clothing to service entrepreneurial networks):

Immigrant Outsourcing Bridges referred to immigrant-led businesses, who were of particular prominence in the social network of clothing entrepreneurs. Immigrants were often consulted to provide a specialized skill or assistance in production of finished garments when the demand for the single entrepreneur became overwhelming. Immigrants served to increase capacity of small clothing firms while also adding value to finished products so as to enhance their distinction in the marketplace. Service entrepreneurs, on the other hand, reported to know little – if any – immigrant entrepreneurs, and much less, to interact with them on a close business basis compared to the first entrepreneurial group.

Nonetheless, although service entrepreneurs did not maintain prominent outsourcing relationships with immigrant-owned firms, they did exploit opportunities by which to outsource a particular part of their production process to different firms that may be more equipped to provide such a service. Most of their outsourcing relationships, however, were conducted with different types of businesses, lending to the heightened importance of collaborative and exchange relationships in their network. Hence, an example of such outsourcing relationships for service entrepreneurs may be the hiring of freelance photographers by an emerging public relations or media firm or a young real estate development agency's outsourcing of a plumbing job to more specialized firm to complete a new residential project.

Communal Bridges, as the data suggest, cultivate an entrepreneurial community that fosters a sense of mutual trust. The data suggested communal bridges to be prominent relationships for clothing entrepreneurs. Service entrepreneurs – in describing their relationships with different types of business – did not emphasize the need of forming a tight-knit entrepreneurial cluster or community. Different businesses – as aforementioned - were consulted

mostly on a need-basis, describing more of an outsourcing, exchange, or collaborative bridging relationship.

Some relationships served to be prominent in the networks of both sets of entrepreneurs. The data revealed certain entities, which both sets of entrepreneurs may have generally deemed highly valuable and/or with whom they communicated with frequently. Similarly, the data illustrated relationships of low prominence which both sets of entrepreneurs held in common.

- Relationships of Similar Prominence

High-Prominence Relationships

Mentor Bonds were expressed in high regard by both small clothing and service entrepreneurs in their respective industries. Both sets of entrepreneurs reported to communicate with them on a frequent basis. These relationships offered value that was leadership- and capacity- oriented.

Collaborative Bridges describe collaborations with different types of businesses so as to produce new products or services and to more effectively respond to a shift in demand. This relationship was highly valued, again, by both groups.

Low Prominence Relationships

Global Bridges Both groups of entrepreneurs generally reported having little communication with contacts in another country. Some entrepreneurs mentioned the low reliability, high cost, or low access to internet services as being the reason for their inability in making international contacts. Others mentioned their priority to focus first on the local South African market. Consequently, entrepreneurs reported gaining little value from them. Nonetheless, clothing entrepreneurs – more so than their service counterparts – did mention a

desire to cultivate global bridges in the future so as to distribute their goods worldwide into foreign markets.

Regional bridges Similarly, both groups of entrepreneurs mentioned having little communication with contacts in other South African provinces. If entrepreneurs did maintain regional bridges, they were held mostly with relatives. The data suggested that most regional bridges were light relationships with contacts with whom the entrepreneur seldom communicates or occasionally contacts for time-specific information.

Financial Linkage was the third relationship of low prominence in both networks of entrepreneurial groups. Both entrepreneurs blatantly expressed the difficulty in gaining finance for the firm. Most entrepreneurs – especially of the clothing industry – financed themselves. It was common to hear across both groups that start-ups of smaller entrepreneurial ventures- as well as personal income – served as the primary source of finance. Of both groups, one entrepreneur – in the health and beauty industry – reported having an investor. This individual was inspired by her favorable reputation with a former employer who admired her work and committed to invest in her day spa when she decided to work for herself. Two other small firms – the other from health and beauty industry and the second from clothing – conveyed that finance was possible to access upon the proof of their financial viability. In other words, they had to show evidence that they were able to operate profitably *without* finance from the formal financial institutions before being able to qualify for a loan.

Discussion of the Variation of Network Diversity Structure and Value The similar high prominence relationships shared by both entrepreneurial

groups suggests that – regardless of sector – small entrepreneurs benefit from cultivating relationships with other small firms from which their capacity is augmented as well as their skill enhanced in operating their firm. Mentor bonds and collaborative bridges offer such value to the entrepreneur's development.

Nonetheless, different prominent relationships in the networks of either entrepreneurial group convey distinct social structures within which entrepreneurs are embedded. Small clothing manufactures, for example, are surrounded by a dense cluster of other small firms. Variations of specialized skills – such as in the case of immigrant entrepreneurs – or varying services – such as in the case of different businesses – give clothing entrepreneurs a gamut of options by which to develop new products or produce more. On the other hand, service entrepreneurs' prominent networks appear to be less diverse. The data suggest that their reliability upon and interdependence with other small firms may be much less compared to their clothing counterparts in that they work little with immigrant entrepreneurs and consult other small firms on a need-basis.

The similarity of non-prominent relationships suggests that despite the sectoral identity of the small business, both groups of entrepreneurs concentrate their networks locally. Few entrepreneurs did describe having an extensive network beyond Gauteng. Two entrepreneurs who did affirm having relationships regionally or globally made the connections through larger private and public firms with whom each was working – one with an internationally renowned beauty consulting and manufacturing firm; and the other, with a national business development institution. Even then, upon mentioning these relationships existed, the value drawn from them was regarded to be potential. In other words, the entrepreneurs had not yet activated the

relationships in a way that they would draw certain resources from them in that they currently did not have a need for them.

Furthermore, the general disregard which entrepreneurs overall had for financial institutions suggests that formal finance – regardless of sector identity – treats small businesses similarly. The data generally suggested that formal financial capital is granted upon a small firm's proof that they are financially viable and not as a means by which to accomplish viability.

Network Diversity Value was believed to vary across entrepreneurs of different sectoral groups as well. In other words, it was posited that clothing entrepreneurs would gain resources from their relationships within their network that were distinct from those resources gained by service entrepreneurs because of the presumed contrasting needs of small firms from either sector.

Results revealed that the Network Diversity Value was heavily capacity-oriented and customer-oriented for the network diversity of both entrepreneurial groups. However, when examining the resources of value gained from the prominent relationships, findings unveiled that value drawn from prominent relationships of clothing entrepreneurs were dominantly capacity- and innovation- oriented. Service entrepreneurs' prominent relationships still predominantly contributed capacity- and customer-oriented value to their development. Such findings imply the validity of a hypothesis that the value drawn from network diversity – as with the structure – also varies across small entrepreneurs of different sectors.

Hypothesis: Vulnerability to Global Imports Clothing entrepreneurs' common reference to the threats posed by cheaper clothing imitations of their designs manufactured in Asian countries suggested clothing entrepreneurs' vulnerability to global imports. Hence, this study

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hypothesized that a sector that is more affected by global competition would have entrepreneurs who have a network of relationships that differ from those of sectors that are not as vulnerable – such as the service sector. The rationale behind the hypothesis follows that, subject to the pressures of global imports, which may render the original creations of the small entrepreneurs uncompetitive, there is incentive to embed themselves in mutually reinforcing relationships. These relationships augment their abilities without accruing higher costs of employing people or handling the production alone. Small clothing manufactures, so as to distinguish their wares from the broader clothing market, must ever remain savvy to the newest trends and be positioned to pioneer new trends themselves. High duplication of their creations in foreign markets places pressure upon the new entrepreneurs to be ahead of the wave of new styles, the usage of new unfamiliar materials, and incorporating unconventional cuts and detailing. As a result, relationships that offer such innovation-oriented resources serve as prominent connection.

On the other hand, service entrepreneurs did not express the pressures of the global market as a development challenge as much as they did breaking into the local market that is dominated by larger established businesses. Small service entrepreneurs would maneuver through this challenge by positioning themselves to be sub-contracted by large corporations and government agencies. In this regard, relationships providing capacity-oriented value are highly prominent in that they build up the capacity and sophistication of the firm to handle the high expectations placed upon them by large corporations. As service entrepreneurs conveyed less emphasis of the pressures of global competition, in contrast to clothing entrepreneurs, the study's findings imply that the pressures of imports that would warrant small firms of limited capacity to work together does not create the same dynamic with firms who do not have this pressure. Rather, integration into the production process of larger firms – both private and

government-owned - would introduce them to the industry. Entrepreneurs of service firms additionally referred to large firms as mentors, clients, or the competition by which they were motivated to enhance their services.

Hypothesis: Business Phase Although the hypothesis of global competition poses one of several probable arguments in explaining the difference in social structure between the two sets of entrepreneurs, it does not sufficiently explain variation of social network among small businesses of the same sector. Closer analysis of a single clothing entrepreneur from the ‘globally-sensitive’ sector who ironically had a very small and non-diverse network suggested that an entrepreneur’s sectoral identity – or corresponding vulnerability to imports - alone may not explain the structure and value of its network diversity. The analysis of the outlying case also raised question as to whether or not sectoral identity is a fair indicator of vulnerability to global competition. If a small clothing entrepreneur does not have the relationships noted to be generally prominent in the social network of clothing entrepreneurs, then what other variable may offer more insight in explaining variation?

The outlying case of the small clothing manufacturers was also noted to be a very young firm, less than six months old. Hence, an additional analysis was conducted to check for trends in network structure across businesses of different phases within each of the sectors. The phase definitions were inspired by the Global Entrepreneurship Monitor Model to specify the three phases of nascent entrepreneurs, entrepreneurs of new firms, and entrepreneurs of established firms.

Findings revealed that the prominent relationships emerging during the three phases for both sectors were mostly ties with similar businesses, different businesses, larger businesses, and

government. Additionally, as highlighted through the first analysis, immigrant entrepreneurs play significant roles in the social networks of clothing entrepreneurs. The most apparent distinctions between the networks across sector and business phase were in the relationships held with larger businesses and government. Service entrepreneurs in all three stages of growth held corporate client bridges and public agency linkages in high regard – in which both government-owned and private companies were sought to be potential clients of small firms in the form of an outsourcing or sub-contracting relationship. Data showed that from the very start of a small service firm's business life, it is busily seeking means by which to be sub-contracted by a larger more experienced firm or compete for a government contract so as to be launched into the industry. In contrast, government relationships, primarily in the form of personal ties with a public official – termed public official linkage - were prominent in the networks of clothing entrepreneurs in the phase of new firms. These relationships introduced new market of high-return clientele, and hence, provide a customer-oriented value. Only clothing entrepreneurs of established firms – as the data suggest - considered gaining contracts from public agencies to produce large-scale orders. As with larger firms, only small clothing entrepreneurs in their established phase attested to having corporate client relationships, where they are contracted to produce, again, bulk-size orders. This relationship was not formed during the nascent and new business phase stages as with service entrepreneurs. Rather, the data showed that interactions between small clothing entrepreneurs and larger businesses begin to take place with entrepreneurs with firms in the new business stage. In the new firm phase for clothing entrepreneurs – relationships with larger firms were mostly in the form of corporate assistant relationships. In this regard, large companies provided or sponsored opportunities by which

small clothing entrepreneurs competed or exhibited their creations to possibly gain media publicity, rewards in financial capital, international exposure, and even tools and machines.

In regard to relationships with different firms, service entrepreneurs – from early to later phases – appeared to emphasize the prominence of collaborative and outsource bridges. The data showed those clothing entrepreneurs' relationships with different businesses – such as communal and exchange bridges– were most apparent among those in the new business phase. Collaborative bridges became more prominent in clothing entrepreneurs' networks in the established business phase. Such findings draw attention to the role of relationships with similar firms – in the form of peer bonds - which dominate clothing entrepreneurs' networks in the nascent stages, and never really gain such a comparably prominent role in the networks of service entrepreneurs throughout all business phases.

It is arguable, therefore, that as businesses mature through different phases of their development, new relationships are formed and former one's changed or discontinued, leading to the changing diversity of relationships in a small entrepreneur's social network. This prevailing hypothesis may address the variation in social networks which sectoral identity does not. Clothing firms in their nascent stages- as well as older firms who described the early days of their business- revealed a social network of little diversity in terms of being comprised most of only peer and mentor bonds. Hence, compared to their more developed counterparts of the same sector, nascent clothing entrepreneurs had a less diverse array of relationships. In this regard, the analysis notes that although these twelve firms are of a sector that deals with vulnerability to global imports, not all firms have similarly diverse networks. Rather, the diversity of these networks may vary also depending upon the phase of development of the small firm. Hence, the understanding of entrepreneurial networks is broadened by the fact that- of many possible

variables – the interaction of sectoral identity and business phase – are probable explanatory agents of network diversity variation.

Hypothesis: Firm Size Empirical studies have posed a dichotomous analysis of network value in relation to the size of the firm. Drawing conclusions that large and small firms have significantly different networks that contrast in composition and value, empirical studies highlight firm size as a variable that may explain the distinctions in social structure. Hence, the analysis for this study continued to explore whether the data may also support such a hypothesis. Firm size – defined in this study by the number of full-time employees – was further delineated into two categories: micro-entrepreneurs, as in sole-proprietors who have no employees, and entrepreneurs who have at least one formally-hired staff member.

Across the different sectors, the data suggest a possible – and yet, an inconclusive - relationship between firm size and network diversity. For entrepreneurs of the clothing manufacturing sector, both micro-entrepreneurs and firms with employees possessed a broad range of relationships in their networks that did not reveal any particular trend or pattern. Some micro-entrepreneurs operated in circles comprised of very close and familial relationships, while others had established solid relationships with entities ranging from larger to different businesses. Entrepreneurs with employees also described networks that varied in diversity across the board. The data did show, however, that only staffed small firms held larger corporation or public agencies as clients.

Data from the service entrepreneurs, on the other hand, appeared to support a stronger correlation between firm size and network diversity. Micro-entrepreneurs were firms with relatively smaller and less diverse networks. Several micro-entrepreneurs attested to still meeting

and seeking out certain entities with whom to form potentially beneficial relationships. They expressed their primary objective in landing relationships that will help them to gain knowledge by which to know how to enter the industry, build their production capacity, and strengthen their marketability as a reputable firm.

On the other hand, data from the service firms who have employees showed that their networks were also comprised of more solid relationships with different firms in collaborative and outsourcing arrangements. Furthermore, similar to the clothing entrepreneurs, service firms with employees were those who had corporate client and public agency relationships, providing firms with customer-oriented value.

Despite this analysis that supports the hypothesis that firm size explains network diversity, and more convincingly among service entrepreneurs than manufacturing entrepreneurs, the data also suggest, however, that firm size may have a close correlation with business phase. Smaller firms, especially in the service sector, also tended to be younger firms. In the manufacturing sector, entrepreneurs in the new or established business phase may also be micro-entrepreneurs, inferring that firm size may not necessarily be a sound indicator of business development. Hence, the variable of business phase – of which firm size may or may not be a measure - may actually explain the variability of structure and present value of social relationships more accurately. Hence, although a convincing contributor to network diversity, more analyses is needed to confirm its true explanatory value.

Intervening Condition of Breakthroughs and Strategy of Network Restructuring Although networks presumably vary across entrepreneurial groups, it is not to suggest that they are set in their structure and value. The data suggested that over the course of time, as entrepreneurs

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narrated their ‘story’ and described the series of experiences that moved them from their nascent phase to current phase of development, certain events would spark a considerate re-formation of their network, and the value of the relationships drawn from it. Within this theoretical framework of Network Diversity Value, such incidents and occurrences are termed *breakthroughs*.

Breakthroughs can present themselves in the form of accomplishing huge feats, such as winning a prestigious contest, or experiencing the abrupt separation of a business partner. Hence, the character of incidents can be either negative or positive – one that causes confusion or pain or jubilation. Nonetheless, when these events take place, the entrepreneur is usually faced with a new situation or challenge for which they must develop new or alter existing relationships to maneuver through the condition. This strategy is referred to as *network restructuring*, and suggests how entrepreneurs’ ability to be dynamic and responsive with their networks – adjusting the combinations of relationships so as to source relevant resources needed- can determine how they fare in unanticipated conditions and with new opportunities.

Consequence: Entrepreneurial Progress The concept of the entrepreneurial breakthrough motivates the conceptualization of networks as a facilitator of the dynamic entrepreneurial process. In turn, strategic restructuring of one’s network, from which to draw the necessary resources to position an entrepreneur to take advantage of certain opportunities, can then result in *entrepreneurial progress*.

Entrepreneurial progress enhances the idea of entrepreneurship as a process. Its seven prevailing themes – drawn from the entrepreneurs’ expressions of how they perceive success and indicators of good performance – provide a more nuanced and complicated idea of how entrepreneurial success is envisioned by entrepreneurs themselves. The analysis unveiled that

more than profit-making or financial viability constituted their aspirations. They readily spoke of building a company whose identity would become timeless and be rendered a central part of the local culture and lifestyle. They spoke to building an entrepreneurial legacy that outlives their own physical existence. Furthermore, entrepreneurs emphasized that the expansions of one's physical assets and financial wealth does not define success if one still has not gained a sense of fulfillment in what they are doing. Hence, the concept of success – and the measures by which an entrepreneur would assess their progress towards it – is largely a philosophical, subjective, and qualitative idea that further characterizes the definitions of entrepreneurial success beyond that of organizational performance and/or financial viability. To add more dimensions to the idea of entrepreneurial progress, however, entrepreneurs also spoke to a definition of success that embodied the edification of not only themselves, but others as well. They readily mentioned the priority of expanding in capacity in order to employ others and to provide opportunities for the many who struggle in the limitations of poverty, despite their lingering talent. The growth and the development of others within their communities directed their attention – as the data would suggest – towards taking in novices as apprentices, serving as mentors to other small firms, and designing entrepreneurial ventures that have the conviction of providing a service or good that can alter perceptions or enable the disadvantaged as central to their mission. Many entrepreneurs – some seated in the heart of Johannesburg or its surrounding townships – would express little plans of moving their business to other communities as reinforced by a strong commitment to the social and economic transformation of their local community.

Hence a prevailing theme set for future exploration in understanding the concept of entrepreneurial progress – and the concept of success – is empowerment. Empowerment speaks to the process of enabling others either by directly enhancing their capacity – whether it be

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physically, emotionally, politically or via a variety of other means – or changing surrounding conditions within which enabled or able people can build and thrive. In this regard lies the critical contribution that entrepreneurship- in enhancing the capacity of people or transforming conditions and institutions - make to the field of international development. Hence, empowerment rests at the nexus of theoretical and empirical thinking of business and development and occupies an intriguing crossroad between the two fields. Entrepreneurs – at this theoretical intersection – are conceptualized not merely as exploiters of opportunities or intuitive assessors of new markets – but as tools of community transformation.

In thinking of entrepreneurs as agents of community development, the possibility arises to further examine them from the theoretical framework of social entrepreneurship. The conviction to empower distinguishes such small entrepreneurs as those who operate by an underlying value of empowerment for social change alongside innovation and management for wealth generating. This distinction lies at the core of the idea behind social entrepreneurship, which marks it in the midst of other entrepreneurs. Hence, if the driving ideals of such firms shape a peculiar vision of success, would not the means and practices by which to achieve such aspirations also vary from those of the mainstream entrepreneur? If so, what implications does understanding small entrepreneurship through the lens of social entrepreneurship have for how the structure and value of surrounding social networks are understood to either contribute or hinder a firm's progress towards achieving this particular progress and success? Future studies will further examine this theoretical perspective.

Summary of Hypotheses The reigning hypotheses derived from the analysis of the study are as follows:

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Hypothesis 1: Network diversity structure differs between small entrepreneurs of the manufacturing and service sectors.

Hypothesis 2: Network diversity value differs between small entrepreneurs of the manufacturing and service sectors.

Hypothesis 3: Network diversity varies between entrepreneurs of different sectors due to the sectors' different levels of vulnerability to global imports.

Hypothesis 4: Network diversity varies among firms of different business phases across the different sectors.

Hypothesis 5: Network Diversity differs across small firms of different sizes in the service sector more so than in the manufacturing sector, although firm size may not significantly explain variation in network diversity overall due to possible co-variability with business phase.

5.2 IMPLICATIONS FOR THE LITERATURE

This study poses implications for both the theoretical and empirical aspects of the literature.

5.2.1 Theoretical Implications

a. Perspective of Social Relations in Economic Development Theory So what does this study imply is the role of social relations in this current era of economic development? The

findings of the analysis pose the argument that social relations are cultivated to provide a fertile web of information and resources steadily accessible by small economic actors. As a result, social networks are used as a means by which to remain viable as a small economic actor in a large market. In this regard, Rodrik's (1997a) argument may warrant more qualification. As he argues that globalization can provoke societal disintegration, this study lays down preliminary hypotheses to suggest the reverse – that operating within a globalizing local economy that is characterized by openness to international trade and investment as well as the infusion and exchange of foreign trends and ideas may actually provoke the heightened integration of small local firms to work cooperatively in ensuring each other's viability. Hence, this study, to an extent, does affirm the assertions of globalization theorists such as Fukuyama (2002) – that in contrast to its theoretical predecessors – the reigning thought of economic development today is gradually incorporating the claim – and affirming early assertions of political economist Karl Polanyi (1944) and sociologist Mark Granovetter (1973). Social relations are a facilitating force of economic development.

Nonetheless, the characterization and specification of these social relations is important in understanding their role in economic development. Not all social relationships are the same, and it is important to distinguish the contemporary understanding from that of the tight-knit, exclusive, and homogeneous characterization of the *traditional sector* or *communitarian view*, which allegedly hinders development. This study implies that social relationships with heterogeneous entities, each with specialized contributions which may complement each other - form an integrative web of production and innovation, designed to assist a small firm in operating within an emerging market.

Highlighting the usefulness and particularity of social relationships in the

development of poorer or emerging markets raises the question of the means and conditions by which such relationships are triggered and fashioned. Can such relationships – which would provide specific value for an identified goal – be intentionally established? If policy makers of a developing economy were seeking to propel entrepreneurial development in a particular sector or in general, could they establish certain institutions to facilitate the connections of different actors by which the desired resources could be exchanged? Within the study, entrepreneurs' narration of their stories revealed the role of various institutions in serving as the initiator or facilitators of specific relationship building. Furthermore, some institutions seemed more effective in cultivating the desired relationships than others.

Institutions that are with an economic development mission provided incentives and established procedures by which certain economic actors – who may not have traditionally sought each other – could engage each other in future partnerships. The Broad Based Black Economic Empowerment policy represents the recent establishment of a normalization of business integration across businesses of different races and sizes. Hence, BBBEE presents the incentive by which non-black- and black-owned- as well as larger and smaller firms - would integrate their production systems, organizational operations, or human capital with each other. Another example is the Umsobomvu Youth Fund, which institutionalizes the networking of seasoned economic actors – from corporations to government agencies and youth-friendly financial institutions with youth entrepreneurs. Public-sponsored women business associations, which may be designed specifically for women within a certain sector or in general, also represent an institutionalization of network building purposed to promote women's economic empowerment via the cultivation of relationships.

Institutions, as Douglas North explains (1990) represent the internalization of constraints formed by human beings themselves to control human behavior. Institutions operate formally as rules and informally as customs by which human activity is guided and shaped. Hence institutions, play a vital role in informing choices of exchange, purchase, and investment, by which economic activity is carried out. Institutions do this by providing incentives or constraints which change transaction or production cost, hence convincing economic actors to engage in different types of productive activity. This dynamic is certainly evident in the unfolding of BBBEE. By establishing the incentive that businesses who partner or patronize black-owned businesses can acquire a distinguished status of potential future rewards, this institution is able to present new forms of business integration across a racialized economy and facilitate human cooperation.

In the process of economic development, institutions also play the critical role of resolving the information asymmetry of the market, which raises cost of transaction for some economic actors and contribute to the short-comings of the market. Institutions like that which promotes youth and women empowerment – including that of information technology – seeks to resolve the existence of imperfect information among small entrepreneurs that renders their disadvantaged status in the market. These institutions enable access to and distribution of vital knowledge and provide means by which targeted firms can exchange with others.

In this exchange of information, firms are exposed to ideas that will inform the way they perceive the opportunities and other economic actors around them. In turn, institution helps to foster the formation of norms and altered values and perspectives that influence the decision-making in the market place (North, 1990). An institution, prevalent within the research, which shaped perspectives and served as a constant source of inspiration, optimism, and perseverance

for the entrepreneurs was the institution of faith. Embedded in the testimonies of several entrepreneurs was the shameless expression of gratitude to God, acknowledgement of God as the source of all ability and talent, and the commitment to seek God in terms of guidance and revelation as the business evolves. Entrepreneurs readily identified themselves as ‘praying people,’ or even more explicitly, as “Christians,” by which they would then explain the reasons for certain actions or beliefs. Furthermore, the church was mentioned several times as a place where entrepreneurs met others with whom they would form entrepreneurially valuable relationships. Future research could explore the correlation between entrepreneurs’ affiliation with institutions of faith and their conceptualization of success, including their admittance to empowering others as a desired ambition in their entrepreneurial pursuits.

Institutions provide a critical analytical portal in understanding how social networks are formed and may arguably be the catalyzing agent by which relationships are formed and sustained. In providing this insight, institutions could also assist in explaining the process of social embeddedness, as to how the market – as an institution itself – becomes increasingly tied, shaped, and rooted in the society in which it operates. Furthermore, the study of institutions can help address the challenges of cultivating a social structure conducive to economic development that is simultaneously relevant in a dynamic global community.

b. Social Capital and Economic Development This study very much builds upon the concept of social capital as developed by Bourdieu, with a particular emphasis on the economic utility of social relationships. Adopting a structural approach, its emphasis on the type of relationships – bonds, bridges, and linkages – and how they relate to the central entrepreneur falls in line with the network view of social capital, highlighted by Woolcock and Narayan

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(2000). The particular contribution of this study to the social capital literature, however, is that it emphasizes the multiplicity of relationships under *each* broad category of bridging, bonding, and linking. This study offers a more nuanced and detailed picture of what *diversity* in social relationships look like. It conveys the complexity in comparing sub-relationships, because, for example, not all bridging relationships are the same or the manner by which small entrepreneurs bond with like small firms can even vary. In turn, this complexity is an integral factor in understanding the multiple dimensions of the social capital a small firm possesses and how it contributes to economic development.

The conceptualization of social capital, nonetheless, is continually becoming more refined as scholars seek to sort its complexity in definition and measurement. Hence according to Christian Grootaert and other collaborating and leading scholars in the social capital discipline (2003), networks – as suggested also by the leading fathers of social capital literature – represent one of several dimensions of the term. This study has illumined the several layers and properties within only the network dimension of social capital. Nonetheless in seeking to grasp the fuller application and contribution of social capital to the development of any society, more research must be done to examine its multiple dimensions within social capital itself and in relation to each other.

Grootaert et al (2003) attempt to provide an applicable framework of social capital. The scholars identify and form measures for six distinct dimensions of social capital. Their study contributes research instruments and tools which can be used to assess the evidence and consequence of social capital in households and within communities. Furthermore, the distinction of different dimensions of social capital help to illustrate the many social domains through which social capital streams and in which it operates- from government, to the private

sector, to the household. This intriguing feature portrays social capital as a tool which can connect the multiplicity of society's domains together, serving as the facilitator of broad-sweeping integrations. In turn, this integration, if harnessed without motives of bias, exclusion, or greed, can create an environment conducive to development.

Consequently and as frequently noted, social capital is the 'glue' that holds society together. Grootaert et al (2003) attempt to better qualify that 'glue,' by examining not only its cohesive qualities, but the activities and exchanges that are enabled – or hindered - due to the cohesion. Commonly referenced dimensions, such as the structural form of social capital in networks and groups, and the cognitive form in trust, stem from the literature. Moreover, however, Grootaert et al (2003) identify four other dimensions by which to capture the inner-workings and complexities of societies' experiences with the formation, value, and disadvantages of relationship building. *Collective action and cooperation* are facilitated by trust and networks and refer to the extent to which members of a community work collaboratively, their willingness to do so, and the types of tasks or activities that involve collective work. *Information and communication* describe how accessible and transferable information is among and between groups, determining their ability to make sound and productive decisions. *Social cohesion and inclusion* speak to the measure of social unity within a community, and the elements which foster or eradicate a sense of exclusion. This dimension also takes into account sociability, or the measure of the interaction between peoples and groups in public and private spaces, and the diversity of relationships involved in these social interactions. Thirdly, the examination of conflict and violence by which society is made less secure and more divided is included in this dimension. *Empowerment and political action* describe a phenomenon that extends beyond social capital and is referred to as the expansion of a people's capacity, assets,

and activities by which they are able to participate in, change, and demand from institutions that affect their livelihoods. In this regard, Grootaert et al (2003) explain, political action is only one of several means by which to achieve empowerment. In the application of political action is the reassessing and re-shifting of other forms of social capital – the redefining and changing of bonds, bridges, and linkages – by which institutional change, and social change, can be fostered.

Figure 22: Six Dimensions of Social Capital



(Grootaert et al, 2003)

Although the primary social capital dimension of focus is networks within this study, the data and analysis has highlighted the presence – and interplay – of the other dimensions listed. For example, collaborative bridges between different types of firms manifest a cooperative dimension of social capital. Network diversity value was measured in the variety of information – from customer- to innovation-oriented information, for example- that was deemed beneficial by the entrepreneurs. The sense of social unity that rests at the core of social cohesion was attested to by clothing entrepreneurs in their description of communal bridges which brought entrepreneurs of all backgrounds together to create an intimate, secure, and creative space. On

the other hand, entrepreneurs of the service sector spoke to a lack of social cohesion among the firms of their industry, where although courteous, firms experienced little interest in working together. As mentioned, empowerment was expressed as a desired ambition of small firm development. Periodically the data spoke to incidents of small clothing entrepreneurs seeking out the excluded or uninformed entrepreneurs to join new business associations so as to lobby for change in policy and regulation matters concerning their industry.

In understanding the existence of all these dimensions of social capital, and their application and relevance to economic development, there is a need to understand the means by which they reinforce or create the conditions that foster one another. Social capital's theoretical complexity lies in the multiplicity of its manifestations in society. Grootaert et al (2003) attempt to build a workable framework that distinguishes these different features from each other. More clarity can be added, however, if the relationships between features are further refined. For example, as suggested by the data, we know that information is a resource drawn from networks. Nonetheless, if certain networks are designed to serve the interests or promote the agenda of a certain group, then information sourced could be asymmetrically distributed from those outside the network, increasing a sense of exclusion. In turn, this information asymmetry could deplete the needed know-how and social unity by which to foster collective political action that changes institutions in cultivating favorable conditions for economic development. Hence, the dimensions of social capital have relationships among themselves. If empirically examined, discovery of these relationships could form the needed refined theoretical framework of social capital that can most effectively inform economic policy that is socially embedded.

Another area to be further developed in this study is the criteria by which to deem certain social capital costly. For example, social capital here was deemed to contribute nothing to the

entrepreneur's development primarily if it did not exist. However, there may also be costs accrued for maintaining even the most prominent relationships in their social network. The data suggested that increased prominence of such relationships also come with increased interdependence with the activity of such entities. Hence, in maintaining such networks, entrepreneurs are vulnerable to the short-comings of other entities, or their absence, which in turn, can retard the entrepreneur's business activity. This cost appeared especially prevalent in the relationship that clothing entrepreneurs held with other immigrant firms. So as they benefit enormously from the closeness of integration, so do they also suffer if – for whatever unanticipated reason – the other party is not able to hold to their end of the relationship. Hence, small entrepreneurs must practice patience, constant communication, and sometimes, even absorbing the impact of an agreement not followed through by the other party. They do so in order to retain the relationship, in that it would still be needed in the future, and such relationships – that have been cultivated over time – are not easy to replace.

5.2.2 Empirical Implications

a. Entrepreneurial Network Studies If diverse social relationships contribute to entrepreneurial – and in turn -economic development within a global economy, then Burt (1992) indeed poses a very useful insight for a development-oriented strategy of emerging markets. He argues that possessing a close connection to a member of distinct groups has its entrepreneurial merit. Nonetheless, unlike other network studies of entrepreneurship around the world, this study emphasizes taking into account the exogenous factors that also shape a local context – such as global trade – and how networks of local economic actors may respond to this. Thus far,

entrepreneurial network studies, if they are not focusing on how network vary due to the entrepreneur's characteristics, are examining the affects of contextual aspects within the immediate surroundings (i.e. culture, local institutions, etc). This study implies that it is useful to also take into account broader global economic phenomenon (i.e. international trade, capital flows, migrations of people, etc) and how these factors will affect the local social structure within which small entrepreneurs operate. Furthermore, it is useful to compare and contrast how these factors affect the social structure of different types of entrepreneurs.

b. Entrepreneurial Network Studies in Africa The findings of this study bring to question prevailing claims of former social network studies, particularly in the African context. Abigail Barr (1995), whose instrument was revised and used for this investigation, claims that small entrepreneurs primarily possess small, intimate networks for the primary purpose of ensuring security in their business activity. As a result, her study argues, small entrepreneurs have little inclinations towards innovation and hence, find little value in adopting the broad diverse networks typical of larger firms. This dichotomy of security networks for small firms and innovation networks for large firms suggest that small firms have little interest in production of new products and the application of different ideas. The value of relationships with different contacts in the small entrepreneurs' social networks included more than only one type of resource. Indeed the data has illustrated the array of value acquired – from financial literacy to branding strategies to practical business management skills. Nonetheless, the value of these relationships also include numerous other resources, such as exposure to local and international environments and prevailing ideas from which new approaches to design emerge.

In contrast to Barr's findings, this study reveals that small entrepreneurs desire

opportunities of both innovative and secured business activity. In turn, they cultivate the social relationships which enable both to take place. Small entrepreneurs are also exploring new means, inputs, or methods by which to produce authentic goods and services. The data analysis illustrated entrepreneurs' relationship building with different types of businesses, both large and small, in order to gain opportunities such as joint venture contracts, fresh ideas, and a new production capacity. Some entrepreneurs expressed interest in national and continental distribution of their products in the future, and like any large firm, realize the value in quality technology so as to augment their production capabilities and workmanship. Additionally, relationships with peers and mentors also provided the community and informal flows of trusted information which small entrepreneurs largely benefit from in their capacity and leadership development. It is evident from the data that small entrepreneurs in Johannesburg, South Africa cultivate social networks to both innovative and security ends, not only the latter as the literature suggests.

Deliberating the process of economic development within an emerging market such as South Africa is incomplete, however, without also considering the existence and contribution of the informal sector. African economies largely consist of such markets which emerged as a result of high transaction and entry cost into the formal economy. The existence of informal markets represents the failure of prevailing institutions in accurately finding equilibrium of supply and demand due to the constraints of resources and information among economic actors. This study has illustrated that social networks serve as a source of value to entrepreneurs, providing vital knowledge where there once were gaps of information and enabling small firms to achieve new challenges with capacity-expanding resources, customer-attracting opportunities, and leadership-building encounters. Hence, as suggested by this study and the literature, what implication does

social network diversity have for the development of the informal sector as well? The following discussion will consider implications for social network research and policy in facilitating the development of the informal to the formal sector; promoting economic integration by connecting the informal to the formal private sector; and the comparative network structure and value between informal and formal markets.

Analysis of the data illustrates that firms within different business phases maintained distinct relationships between the sectors. The analysis suggests then that for some sectors, their movement from business phase to phase is facilitated by the transforming nature of their social networks. Relationships emerge, shift, and cease as entrepreneurs encounter new pressures, opportunities, and difficulties. In this same fashion, the feasible hypothesis to posit is that social networks may similarly enable firms in the informal market to eventually become formally registered and recognized firms. The data illustrated that public incubator relationships served as a critical turning point for most young firms as – through the acquisition of business development services and counsel provided by business development agencies – firms that were once an abstract venture finally gained their official status. This relationship may have been established after initial years of working informally and testing one's product on an unfamiliar market to see if self-employment should be the next step, as in the case with some of the small clothing manufacturers. Public incubator relationships may have been sought out from the firms' nascent stages – as in the case with some of the service entrepreneurs - so as to build their capacity to take advantage of pending opportunities as soon as possible.

Social networks may also connect the informal and formal economy. The data illustrated cases where formal business firms would hire entrepreneurs who are not formally registered to conduct specific jobs on a project basis. Relationships between public relations firms and the

freelance photographers or writers they would periodically consult demonstrate this point. Small formal businesses, hence, may serve as a critical point of integration between the informal and formal market. Via their familiarity and close ties to the portion of the South African economy most comprised of small scale production and incremental investment, they provide mentorship to fledgling entrepreneurially minded individuals yet to officially acquire a formal business status. At the same time, they also aspire towards being recognized as a viable partner by large firms. Further research could better investigate the social position of small firms within the polarity of an emerging market, and if such firms are able to occupy the structural holes looming between these entrepreneurial circles of the informal and formal private sector in order to enable the integration process between the two economies.

5.3 IMPLICATIONS FOR POLICY

This study implies that economic development policy – both in South Africa and possibly for other developing nations – could increase its effectiveness by incorporating purposeful strategies and infrastructure by which to facilitate relationship building between their local entrepreneurs and other economic actors both within and outside of the country. Purposeful strategies of network building could be carried out in a variety of forms. Government-sponsored conventions or forums, such as the entrepreneurial development conferences sponsored by the Umsobomvu Youth Fund create a broad and diverse space within which network formation is nurtured. In like form, trade shows that invite firms internationally also bring such entities in close proximity so

that communication can be spurred between local entrepreneurs and these potential partners. Policy supporting real estate commercial development geared mostly towards office or workspace for small entrepreneurs could create hubs of business clusters that foster inter-business connections. Furthermore, development services for small businesses could incorporate social network analyses in their service packages, so as to assess the existing social structure within which the small business is operating and the needed adjustments in the entrepreneur's networks to enable their progress. Of course such network analysis would be sensitive to the particular characteristics of the entrepreneur's identity – include criteria such as sector, phase of development, and size of business – as to conduct a network assessment which most closely fits the particular needs of the business. Such analyses could best be offered to entrepreneurs in their preparation for receiving finance or other types of resources. This way they can be best positioned within society to be able to make the most of such investments. For example, if a small clothing firm were to be given financial assistance to expand its distribution in other countries, then a social network analysis should be conducted to assess which relationships of an entrepreneur's social network would contribute to the facilitation of internationalization, and strategically plan to harness these relationships. If these relationships do not exist, then such business services would provide assistance to develop them.

The broader infrastructure which facilitates communication between communities is also of policy concern if economic actors within an economy are to become more harmoniously integrated. Entrepreneurs' expressed frustration in not being able to afford or readily access the internet by which they would be able to communicate with potential partners in other provinces and countries. Development agencies such as Umsobomvu and The Business Place were spoken of favorably for several reasons, and particularly for their provision of

internet access for small entrepreneurs. Hence, means by which to increase such access to small firms would be of great assistance. Additionally, government incentives given to firms to integrate in their production on a certain basis may also assist in promoting favorable business climate and healthy business networks. One striking surprise the investigator confronted was the high sense of cooperation between black South African entrepreneurs and immigrant entrepreneurs in the clothing industry, despite the looming tension of inter-community strife between South African and other African nationals exhibited during the xenophobic attacks upon the investigator's arrival. Hence more models of this business cooperation, as well as policies for the promotion of intercultural education, sensitivity, and competence can be a provocative policy direction by which to promote a cohesive social structure within which small businesses can thrive.

Policy implications for B-BBEE suggests the need for increased attention on social structuring in efforts to build a more integrative market. Indeed, there already exist incentives for business collaboration. In light of this study's findings, steps towards business integration could be more directed, and as mentioned, may be made more effective by applying a mechanism of business evaluation so as to assess how small businesses can best take advantage of opportunities by applying and harnessing the value drawn from their social networks.

South African economic policy, which has long focused on macroeconomic indicators – with a particular emphasis on controlling the inflation rate – could also be more effective by paying more attention to the segmentation of the private sector. The study illustrates two relevant points in this regard. First, relationships- as well as stable economic indices- are contributing conditions to an entrepreneur's progress. Secondly, small entrepreneurs have interest in distributing internationally, establishing branches in other provinces and countries,

and diversifying production. Indeed, the concept of small entrepreneurship – and the self identity of these business leaders – is not confined to remaining small. Hence, the dual economy which persists in South Africa, like many developing countries, demands a restructuring, which primarily involves increased interconnectedness between firms of all sizes to assist in this entrepreneurial growth.

The analysis suggests that a variety of both exogenous and endogenous variables may explain the variation in the structure and entrepreneurial value of social network diversity. The literature about entrepreneurial social networks broadly focuses upon the explanatory value of endogenous variables – those criteria which describe the entrepreneur specifically or demographics of the society. Examples would be the age, ethnicity, or size of businesses as well as the prevailing culture of the society. In suggesting that a firm's vulnerability to global imports may influence the composition of relationships within their networks, however, this study draws attention to the possible effect of exogenous variables existing due to global economic integration. A conceptual distinction to consider, however, is that of vulnerability to global imports, the concept of competition, and the implications which these ideas – when factored into an entrepreneur's self-perception and business analysis - has on their choices of relationships and the particular value sought or gained from them. In discussing the distinction between vulnerability and competition, the following thoughts for further examination are offered.

A *vulnerable* entrepreneur may connote a defensive position to the entry and introduction of foreign goods in a local market. It suggest that global competition is perceived as a threat to local entrepreneur's ability to innovate, market, and produce at a scale and price that would maintain their viability. Accordingly, as similar to Abigail Barr's argument, such entrepreneurs may seek relationships that increase their economic security via the shielding from any influence

of imports. Relationships may include tighter and more exclusive networks of similar firms – to resemble almost a colluding arrangement – beyond whom very little information flows. It may also include more relationships that foster collective political action so as to mobilize change in policy institutions that will offer more leverage, protection, and resources in favor of local firms. On the other hand, a *competitive* firm suggests that global imports are viewed as the conditions of new opportunities by which to challenge a small firm's innovation and managerial sophistication. Hence, a competitive entrepreneur connotes an offensive position to international trade and incoming flow of foreign goods. Relationships sought to exist within this social network may be those from which the entrepreneur gains value to expand and distinguish their product, identify new markets, and to achieve an economies of scale by which to stabilize the pricing of their goods. Relationships may be more collaborative between small firms so as to increase their capacity of production.

The concepts of vulnerability and competitiveness may suggest the economic position of the small firm, and hence, inform different network structures. In considering the distinction of categories which comprise the Paradigm Model as part of the grounded theory analysis, vulnerability, however, may also be conceptualized as a *condition* of the economic actor, which – depending on their analysis of opportunity and ability – may compel the entrepreneur to be *competitive* - hence, an action or strategy performed in light of the prevailing condition. In this regard, small firms, depending upon whether or not they choose to be competitive, will cultivate the necessary relationships by which to augment their capacity, innovation, and leadership to make an impression in a globalizing local economy.

5.4 FUTURE RESEARCH

The following points describe future research directions to stem from this study.

Firstly, validation will take place by the quantitative testing of the hypotheses with a large sample of entrepreneurs across South African urban metropolises. Through possible collaboration with The Business Place headquarters and branch offices throughout the nation and South African policy think tanks interested in the issue of local entrepreneurial development, the study will have the institutional support so to expand it to groups of entrepreneurs throughout several South African provinces. In this context, the investigator would be able to accurately tests the hypotheses, and eventually either validate or refine the theoretical framework of Network Diversity Value.

As the framework is presented in broader context, the investigator will be able to apply Glaser and Strauss's (2007) four steps of grounded theory validation. They are as follows:

1. To ensure that the theory 'closely fits,' or explains the actual phenomenon in the substantive area.
2. To ensure that the theory is readily understandable by laymen who are concerned with the substantive area.
3. To ensure that the theory is generally applicable to the substantive area.
4. To ensure that users of the theory have the control to adjust it as they see fit in its application.

Secondly, future research also includes expanding the study into other African economies to see if the model, in lieu of South Africa's distinct historical and social context, is applicable to

other societies. Furthermore, there is also interest in testing the hypotheses across more sectors and industries so as to identify its relevance to other segments of (South) Africa's economy.

A third research direction is to further examine how networks vary over the course of time as entrepreneurs move through different phases of development. Thus far, the literature has offered few studies, which take into account network variation over time, and how this change fosters the flow and access of different resources. In Burt's (1992) theory of *structural holes*, for example, he asserts that once 'primary contacts' are made with certain groups, then knowing 'secondary contacts' of the same groups reap little additional value and are just redundant contacts. Nonetheless, this study raised the questions as to whether or not contacts, which may have been of no value at one point in time, served critical roles in the entrepreneur's development at another point in time. In contrast to treating people as uniformed, stoic, and static agents, further research would seek to understand if relationships are distinct and if they change in value over time. This line of query would then expand to the exploration of other entrepreneurial characteristics which may explain network diversity structure and diversity. Other criteria of interest include the entrepreneur's geographical location (i.e. rural, urban, township) and inter-generational differences (i.e. older versus young generation of entrepreneurs).

5.5 CONCLUSION

Economic development describes an on-going process of enhancing the capacity of economic actors and adjusting their surrounding conditions so as to foster a conducive environment within

which they can reap both private and social rewards. Entrepreneurship remains a field of heavy management focus, where the primary attention is given to building the capacity of future business leaders. As entrepreneurship has not always been incorporated into the economic development debate, its growth in the context of its surrounding conditions is an intellectual and policy area that is still young and gradually growing. This study hopes to have successfully emphasized, empirically illustrated, and insightfully hypothesized the relevance of social structure to local economic development in a country that is positioned as a global icon of the African economy, and with the potential to spur development in its neighbors. As the seed of many future investigations that will examine the correlation between social network diversity and entrepreneurial development, such work hopes to further enrich development strategies by employing analyses of the market's non-economic dimensions to more relevantly inform economic policy, and with particular emphasis on the African economic context.

APPENDIX A

SOCIAL NETWORK DIVERSITY QUESTIONNAIRE INSTRUMENT

This instrument was developed from the original Abigail Barr's (1995) Entrepreneurial Network Diversity Questionnaire, used to study entrepreneurial networks of small entrepreneurs in the manufacturing sectors in Accra, Ghana.

Closed-ended Questions

	1) Approximately, how many people do you know in each of the following categories?	2) Are they valuable to your business? (1 = yes, 2 = no)	3) When did you meet the first of these? (year)	4) On average how often do you communicate with them? (Note a)	5) What were the most common ways of meeting them? (Note b)
Entrepreneurs of a different line of business	Note (a): 1 = 3 or more times a week 2 = 1 or 2 times a week 3 = 1 to 3 times a month 4 = once every 2 or 3 months 5 = 1 to 3 times a year			Note (b): 1 = relations 2 = went to school together 3 = went to university/technical college together 4 = through work 5 = socially	
Entrepreneurs based in another region					
Immigrant (non-nationals) entrepreneurs					
Entrepreneurs based in					

another country					
Finance					
Government officials					
Larger businesses					
Entrepreneurs of the same line of business					

6) How many of your close relatives are in the business?

7) How many of your close friends are in the business?

8) Are there other contacts that are important to your business who we did not mention? If so, who are they?

- a. How are they valuable to your business?
- b. When did you meet them?
- c. How often are you in contact with them?
- d. How many of your close relatives are in your business?
- e. How many of your close friends are in your business?

9) What type of information is valuable or helpful to your business?

- a. From where or whom do you acquire this information?

10) How would you describe a successful entrepreneur?

- a. How would you describe a business that is performing well?

APPENDIX B

B.1 AGE DISTRIBUTION OF BUSINESSES IN THE STUDY

Age (years)	Number of Businesses
0.33	2
0.5	2
1	3
1.5	2
2	4
3	4
4	1
5	4
6	1
7	1
8	3
10	1
11	1
12	1
Mean	3.7 years
Mode	2 or 3 years
Median	3 years
Minimum	0.33 years
Maximum	12 ears

B.2 AGE DISTRIBUTION OF ENTREPRENEURS INTERVIEWED

Age (years)	Number of entrepreneurs
21	2
22	1
23	1

..

25	2
26	3
27	3
28	3
29	2
30	4
31	1
33	1
34	2
36	2
38	1
44	3
50 or above	2
Mean	31 years
Mode	30 years
Median	29 years
Minimum	21 years
Maximum	50 years

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